THE LOCAL STATE AND ECONOMIC DEVELOPMENT IN PERIPHERAL REGIONS:

A COMPARATIVE STUDY OF NEWFOUNDLAND AND NORTHERN NORWAY

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ABSTRACT

This comparative study of local development initiatives is inspired by efforts to address the chronic economic underdevelopment of Newfoundland. It explores the combination of economic and political forces which generate and sustain regional disparities within industrialised countries. This requires a conceptualisation of peripherality, underdevelopment and development. In the face of global economic restructuring, there are emerging trends which may be creating development opportunities which peripheral regions have social and economic advantages in exploiting. As these are rooted in the the potential of regional production systems of interdependent small and medium sized firms, economic development strategies must be implemented on a sub-national, and - in the Canadian context - sub-provincial level. Traditional regional development policies by higher levels of government have failed on both political and economic grounds; a lower level of economic decision-making must take the lead if these emergent possibilities are to be realized.

Local economic decision-making can take many forms: voluntary, third sector bodies, regional boards or bureaucracies of higher levels of government, or elected local government. Because only the last, the local state, can draw on the legitimacy of local democratic accountability, combined with the authority and resources of a state body, it is argued that it is best suited to implementing local development strategies, particularly those which must foster the trust and regional consensus for the delicate balance of co-operation and competition necessary for successful inter-firm networks.

These conceptualisations provide the analytic thrust for a comparative analysis of development efforts implemented by a range of local organisational forms in Newfoundland and Northern Norway. Like Newfoundland, Northern Norway depended upon resource exploitation, particularly the fishery, with similar labour market and demographic characteristics. As part of a unitary state with weak regional government but substantial local government autonomy, Northern Norway provides a useful contrast in terms of local institutional forms. No assumption is made that the findings of the four Norwegian case studies can be generalised to the experience of the four Newfoundland cases examined. By relating the varying forces at work in each context, however, analytic generalisation is possible, in which the primary causal forces discerned in specific cases can inform theory, which can in turn be related to other contexts. Only by attempting to discern the substantial constraints on efforts to generate economic activity in peripheral regions can appropriate organisational forms and development strategies be adopted.

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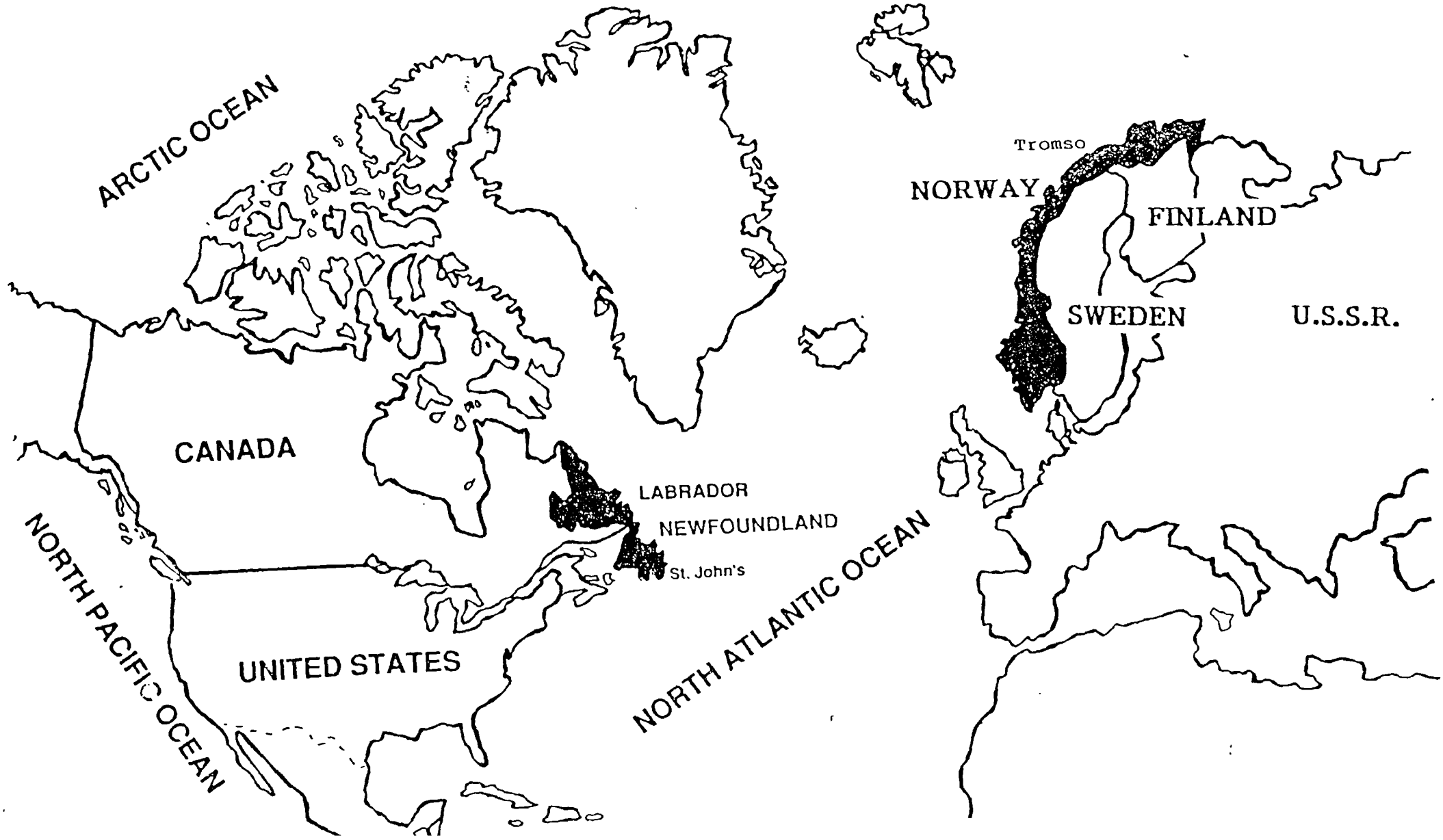
List of Abbreviations.

ACOA	Atlantic Canada Opportunities Agency, Canada
AES	Awakening Entrepreneurial Spirit Project, The Venture Centre, Town of Pasadena
BDC	Business Development Centre, Community Futures Programme, Department of Employment and Immigration, Canada
CDC	Community Development Corporation
CNC	Computer Numerically Controlled
DREE	Department of Regional Economic Expansion, Canada
ENL	Enterprise Newfoundland and Labrador Corporation
GLC	Greater London Council, England
GLEB	Greater London Enterprise Board, England
GNPDC	Great Northern Peninsula Development Corporation
HIDB	Highlands and Islands Development Board, Scotland
HVDA	Humber Valley Development Association
ISER	Institute of Social and Economic Research, Memorial University of Newfoundland
LADA	Lewisporte Area Development Association
LEDA	Local Economic Development Assistance Programme, Department of Employment and Immigration, Canada
MUN Extension	Memorial University of Newfoundland Extension Service
NICs	Newly Industrialized Countries
NIS	Newfoundland Information Service, Government of Newfoundland and Labrador
NLFC	Newfoundland and Labrador Federation of Cooperatives
NLFM	Newfoundland and Labrador Federation of Municipalities
NLRDC	Newfoundland and Labrador Rural Development Council
RAND	Department of Rural, Agricultural and Northern Development, Government of Newfoundland and Labrador
RILDA	Red Indian Lake Development Association
SBDA	St. Barbe Development Association

SMEs	Small and Medium Sized Enterprises
WBNDA	White Bay North Development Association
WMEB	West Midlands Enterprise Board, England

FIGURE 1 GENERAL LOCATION OF NEWFOUNDLAND AND NORWAY.



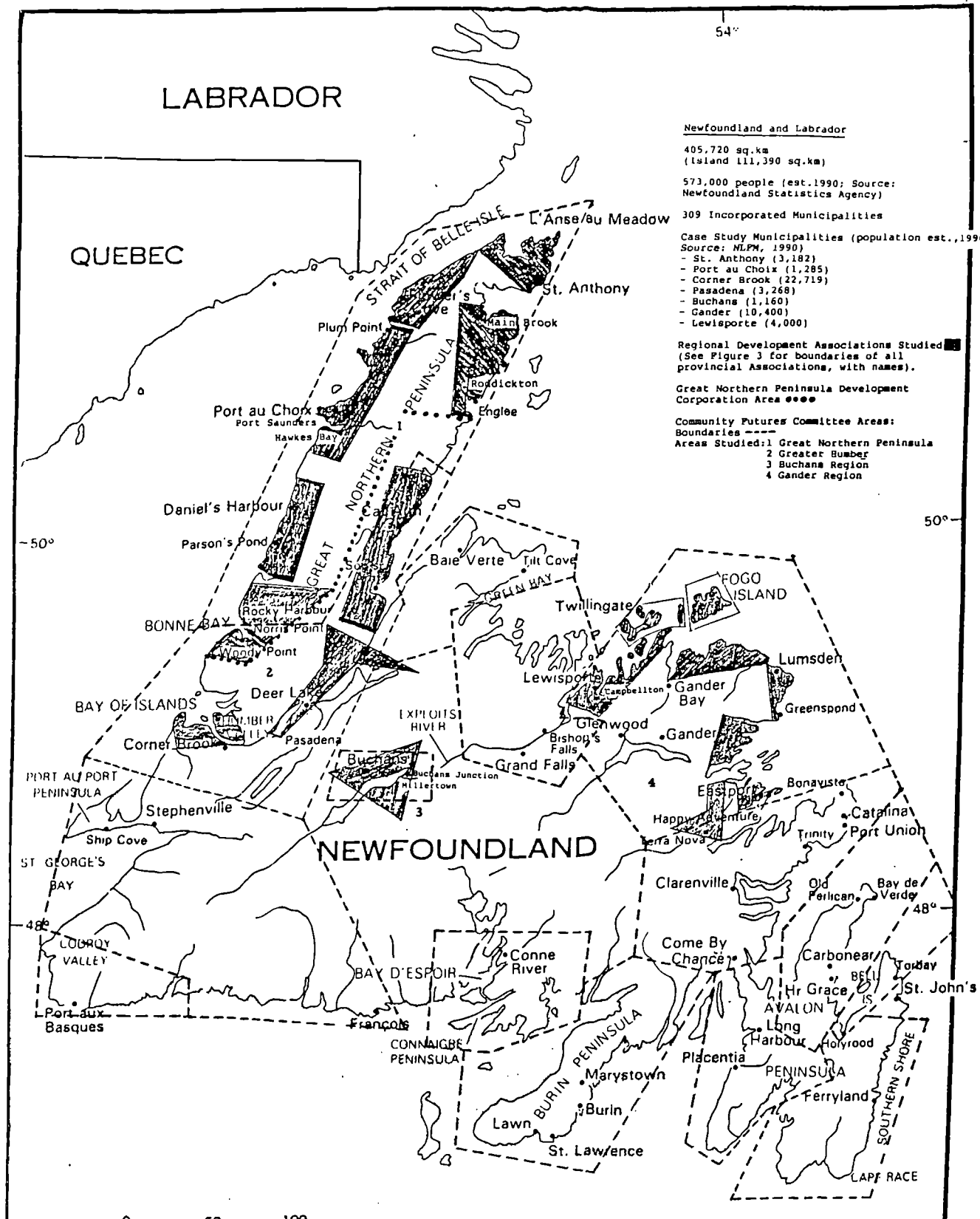


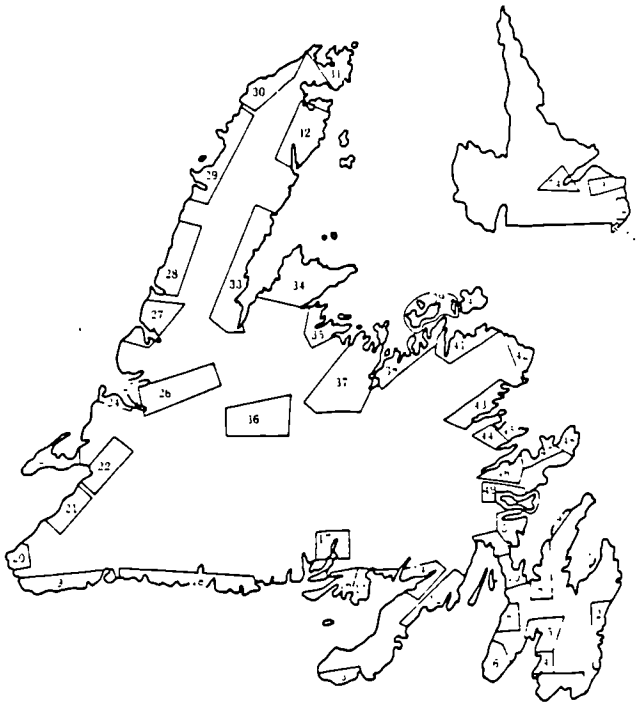
FIGURE 2

NEWFOUNDLAND
Municipalities, Regional Development Associations and Community Futures Committee Areas

FIGURE 3

Development Associations in Newfoundland and Labrador

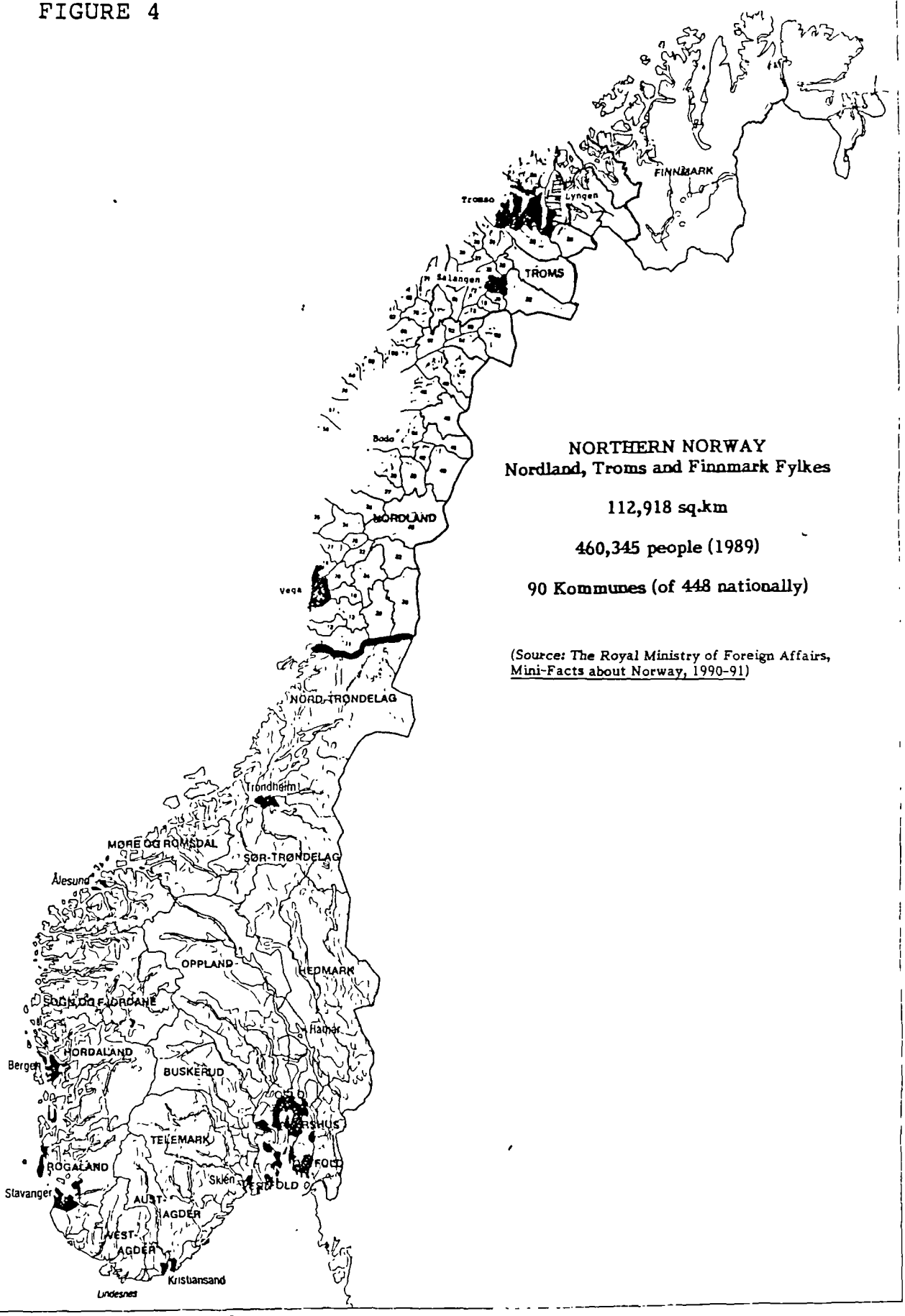
November 1985



1 Bell Island
2 Southern Shore
3 Southern Avalon
4 St. Mary's Bay Centre
5 St. Mary's Bay North
6 Cape Shore
7 Placentia Area
8 Upper Trinity South
9 Lower Trinity South
10 Isthmus Area
11 Trinity-Placentia
12 Placentia West
13 Greater Lamaline Area
14 Fortune Bay East
15 Fortune Bay North Shore
16 CONHER
17 Bay d'Espoir
18 Penguin Area
19 Southwest Coast
20 Codroy Valley
21 Bay St. George South
22 Barachois
23 Port au Port Economic
24 Bay of Islands South Shore
25 Bay of Islands North Shore
26 Humber Valley
27 Bonne Bay
28 Central
29 St. Barbe
30 Straits Area
31 White Bay North
32 White Bay Central
33 White Bay South
34 Baie Verte Economic
35 Green Bay Economic
36 Red Indian Lake
37 Exploits Valley
38 Lewisporte Area
39 Twillingate-New World Island-Change Islands
40 Fogo Island
41 Gander Bay-Hamilton Sound
42 Cape Freels
43 Gambo-Indian Bay
44 Alexander Bay
45 Eastport Peninsula Committee for the Development of Progress
46 Port Blandford-Winterbrook
47 Bonavista South
48 Bonavista Area
49 Random North
50 Southwest Arm
51 Southern Labrador
52 East Shore Labrador
53 Eagle River
54 Mokami

Source: Department of Rural, Agricultural and Northern Development.

FIGURE 4



NORTHERN NORWAY
Nordland, Troms and Finnmark Fylkes

112,918 sq.km

460,345 people (1989)

90 Kommunes (of 448 nationally)

(Source: The Royal Ministry of Foreign Affairs, Mini-Facts about Norway, 1990-91)

Utgitt av Statens kartverk, Landkartdivisjonen 1987.
Utarbeidet av B. Torp.

Preface and Acknowledgements

The Political is Personal: The Origins and Evolution of the Study and the People who made it Possible

Committing yourself to three years of research on a single topic is both a daunting undertaking and an exceptional opportunity. If the latter is appreciated, the former is mitigated. How often does one get to devote such time and attention to clarify an issue for yourself and others? The issue chosen for exploration - the research question posed - can become an anchor chaining you to an exhausted or exhausting field of study, or it can open new perspectives as exploration proceeds.

The local state and economic development in peripheral regions has, fortunately, been a window on a range of exciting theoretical debates, a stimulus to wide-ranging empirical investigation and, hopefully, a guide to political action. This has not been the happy consequence of a chance selection of topic. The topic is the product of my personal and political commitments and intellectual background.

In January 1985, Newfoundland Premier, Brian Peckford, appointed the provincial Royal Commission on Employment and Unemployment. With the province's unemployment rate topping 21 percent and public sector workers raging against fiscal restraint programmes, many saw this as yet another use of a royal commission to study a problem rather than confront it. Perhaps to increase the perceived legitimacy of the Commission, a Memorial University sociologist, Doug House, was appointed chairman. He assembled a team of researchers ranging from civil servants known for their unorthodox policy preferences to a marxist labour historian.

The historian, Professor Greg Kealey, had been my B.A.(Hons.) thesis supervisor. He needed a research assistant and I, just back to Newfoundland after completing a M.A. in history at York University in Toronto, needed a job. The background

paper on labour we prepared was just one of many contracted by the Commission, and when its final report was published in September 1986, I felt some sense that I had played a part.

No doubt many liked to make such a claim, as the report, entitled Building on Our Strengths, was widely acclaimed by all sectors of Newfoundland society, including the labour movement. It called for a 'new vision' of economic development for Newfoundland. Previous efforts to apply models of large-scale industrialization were viewed as inappropriate for a place where 60 percent of the population lives in communities of less than 5,000 people. Similarly, the resource 'mega-projects' pursued by the Peckford government - offshore oil and Labrador hydro power - were considered insufficient to generate the new jobs needed to stem Newfoundland's chronic out-migration to mainland Canada.

Instead, small-scale projects which would complement rural conditions were called for, in addition to traditional resource industries. Increased education levels, improved transportation and communications, and advanced service industries, would enable rural populations to play an active part in 'post-industrial Canada'. Co-operatives and flexible, community-based development corporations, as well as private-sector small and medium sized businesses, were considered appropriate for such economic strategies (Newfoundland. Royal Commission, 1986: 18-19, 373-90).

To implement these changes, centralized and bureaucratized federal and provincial support structures would have to be by-passed to respond to local needs and conditions. The creation of five regional development boards was recommended, building on the network of voluntary regional development associations that had emerged over the last twenty years to promote rural development. Citing the experience of such places as the west of Ireland, the Highlands and Islands of Scotland and Northern Norway, the Commission report claimed that the creation of self-reliant small communities was 'a realistic goal for any sparsely populated region that is part of an advanced industrial country

and is distant from the main economic and political decision-making centres of its society' (ibid.).

By the time the Commission report was published, I had landed a job as a departmental press officer in the provincial government. Within a month of my appointment, I was on the picket line in an illegal strike protesting against government restrictions on collective bargaining. Yet, just over a year after that I received a call from the Premier's Office to become the Premier's speech writer. To Kealey's consternation - and continuing jokes - I jumped at it. Having spent five years studying government, this was a unique opportunity to experience what went on from the inside, on the very highest level within the provincial system.

Peckford led a Progressive Conservative government, but had won the leadership over the party establishment favourite, and gained a populist reputation throughout Canada for standing up to the centralist Trudeau administration in Ottawa over resource jurisdiction (Kimber, 1980). I had not been involved with any political party, but did support Peckford's battles against 'the feds'. This must have shown through in draft speeches I had written as a press officer, and despite my pro-labour sympathies and lack of political connections, I joined the Premier's personal staff.

Throughout my time in government I had continued to apply for scholarships to return to university to pursue a doctorate. Entering the Premier's Office in fact committed me further to this course, as it removed me from any degree of long-term job security. Numerous government secretaries are owed my thanks for typing applications, and Janet Fairley at Memorial University was tireless in investigating new scholarships to try for. In May 1988 I was awarded a Commonwealth Scholarship tenable at the University of Warwick for three years. Without it, this thesis would not have been possible.

Scholarship applications are an excellent way to force yourself to consider what your research interests are. Applications, of course, are tailored to the perceived requirements of the awarding body. My time in government convinced me that I was more interested in contemporary policy questions than a doctorate in history would allow. My B.A. (Hons.) thesis on a Newfoundland public sector union had been followed by a major research paper at York on the history of industrial research in Canada. As I wanted to get out of North America to gain a fresh intellectual perspective, Leo Panitch at York suggested Richard Hyman as an ideal person to work with on state-industry-labour relations. The key then was to build on my academic research background in a way which linked with my government experience, and which would appeal to Warwick and the Commonwealth Scholarship Commission. It would also have to be a topic which I felt would warrant three years of my life.

The Royal Commission's support for worker co-operatives and community development corporations seemed to be an ideal link between economic development - the primary policy concern for anyone interested in Newfoundland - and issues of industrial democracy and progressive employment policy. The call for the decentralization of economic decision-making recognized the importance of political institutions in the structuring of an economy. And the reference to sparsely populated regions in other industrialized countries, opened the way for cross-national comparative studies. It was difficult to justify doctoral research in England that was solely concerned with Newfoundland.

From my experience in the Premier's office, however, I realized that the Royal Commission had made a significant error in its emphasis on the role to be played by the voluntary community development associations and its relative neglect of municipal government. The associations had evolved largely because of the absence of local government in most rural areas of Newfoundland twenty years ago. Under the Canadian federal structure, local government is controlled by the provinces, and primarily through provincial efforts, three-quarters of the rural

population (defined by the Royal Commission as people living in communities of less than 5,000 people) now resides in communities governed by locally elected councils.

Unlike the executive of development associations, municipal councillors were viewed as fellow politicians by provincial officials. The premier - before, during and since Peckford - seldom attended the annual convention of the provincial Rural Development Council, the associations' umbrella organization; he always attends the Federation of Municipalities convention. If decision-making was to be decentralized to groups considered significant by higher levels of government, municipalities would have to play a larger role than that prescribed by the Royal Commission.

Determining just what that significance is has been a central research theme, leading to the eventual conceptualisation of the local state. Yet, the positive contribution of development associations, particularly in providing a voice for groups alienated from formal structures of power - the poorly educated, the unemployed, women -could not be ignored if progressive development policy was the goal. The associations have also emphasized projects which complement the seasonality of much rural employment and the continuing importance of the informal economy. The relationship between such 'third sector' organisations and formal levels of government, as well as how to define development, have thus been inter-linked in the research.

The initial research question, then, was to inform a discussion of the potential of community-controlled economic activities in Newfoundland, based on a comparative analysis of similar regions in Ireland, Scotland, Norway and Spain - the last included solely to enable a discussion of the Mondragon system of co-operatives. Richard Hyman, as he has done so constuctively throughout the course of the research, indicated that the scope was probably too broad, without forcing early closure on potential research directions. Upon my arrival at Warwick he

made clear, through his actions as much as words, that his door was always open for intellectual discussion and assistance in acquiring the facilities and supplies so essential in conducting research. Most important has been his acute analytic insight in discerning the logical and conceptual thrust of my research, even where it has been obscured within my own convoluted formulations. It has been the type of intellectual exposure one hopes to find on the doctoral level, that is not only crucial in getting the thesis written, but also in learning the academic craft.

Within the Industrial Relations and Organisational Behaviour (IROB) Group of the School of Industrial and Business Studies (SIBS), my research was much broader than most. As Richard has noted, though, it has fit there as well as anywhere else. C. Wright Mills emphasized that research should be led by real life 'substantive problems', and that we should 'avoid the arbitrary specialization of academic departments'. Rather, our work should be specialized 'according to topic and above all according to problem, and that in doing so we draw upon the perspectives and ideas, the materials and the methods, of any and all suitable studies of man as an historical actor' (1959:75,134). The danger, of course, is that we stray into others' areas of specialization without a full understanding of all the nuance of their field, and I am conscious that I have done so repeatedly. The corollary is that we gain new perspectives by looking at problems with subject areas not normally combined. I hope the advantages of the latter make up for the failings of the former.

My second supervisor under SIBS excellent dual supervisory system was Peter Nolan, who took up a Professorship in Leeds in the third year of my research. Peter encouraged me to delve into the flexible specialization debate, bringing issues seldom considered in studies of peripheral regions to the fore. This united theories of the state, new technologies and progressive employment policy, primarily in the context of England's Labour Party-controlled local authorities. I have likely taken the debate in directions unforeseen - and probably disapproved of

- by Peter, but his enthusiasm and support for my work has been unfailing, even after he left Warwick.

At this early stage, John Benington, then starting up the Local Government Centre within SIBS, generously shared his time in contributing to the direction my research took. Mike Geddes joined John in the Centre just in time to replace Peter as my second supervisor. He is the only person I have found who combines research on the local state and economic development in peripheral regions. We approach the same questions from different perspectives, though, and Mike has stoically worked with me despite entering late in the game when my views had largely been formed.

While my research question was thus rooted in my intellectual and political background, its evolution has been as much the result of pragmatic choices and opportunism, particularly in the selection of cases. I did consciously explore and articulate the methodology underlying comparative case studies, the results of which are outlined in Chapter 1, before launching into my fieldwork. Richard Marsden, a fellow doctoral student within IROB, contributed greatly in numerous enjoyable discussions of theory and method. He introduced me to realist conceptions of science, which have helped guide my thinking on causation. I was nevertheless committed to comparative case studies prior to this conceptualisation, and the pursuit of empirical findings has complemented theorization in an iterative process throughout the course of the research and the writing up.

While exploring the flexible specialization literature and questions of methodology, I sent out pleas for assistance in finding cases in Ireland, Scotland and Norway. The emerging emphasis on the role of the local state had led to an early elimination of Mondragon's co-operatives, and contacts in Ireland seemed less than enthusiastic on the potential of that centralised state's experience shedding light on my research questions. I am less convinced, as a range of state

forms is exactly what I saw as necessary in delineating how political structures intertwined with economic strategies in peripheral regions. Positive responses from government officials and academics in Scotland and Norway, though, tilted the balance in their favour for preliminary fieldtrips.

SIBS international orientation also led to a chance meeting with Professor Gene Summers of the University of Wisconsin at Madison. He was in the process of arranging a seminar with a colleague, Svend Otto Remoe, at the Eastern Norway Research Institute in Hamar, Norway, on the role of the local state in economic development, and invited me to attend. In the Spring of 1989, then, I was off to Norway, where Svend and his associates provided us with great hospitality and an introduction to the economic development role of Norwegian kommunes and fylkes(1). Olav Spilling gave me a copy of his 1985 book on local development, which introduced concepts of industrial geography to the debate which I have incorporated and attempted to develop further with work by British theorists. Gene Summers has continued to contribute to my work with comments on papers and sharing the results of his own research, and I hope our research interests will continue to contribute to one another's work.

The Norwegian trip was followed by two weeks in Scotland, where regional bodies of the national state - the Scottish Development Agency and the Highlands and Islands Development Board - are dominant. The contrasts with Norway and Newfoundland helped me begin the process of constructing an understanding of varying local state forms, which I developed in a paper presented to the Tenth International Seminar on Marginal Regions in Cape Breton, Nova Scotia, in July 1989 (Greenwood, 1989). I then spent the summer in Newfoundland, compiling primary and secondary material based on my emerging theoretical framework. My

1 The equivalents of municipalities and counties in North America, or District and Regional Councils in Scotland, with characteristics elaborated in detail in Chapter 4. The Norwegian words Kommune and Fylke are maintained throughout the thesis, although the plural form is my own hybrid. As noted by Helge Larsen in his useful comments on Chapter 4, the correct Norwegian plurals are 'kommuner' and 'fylker'.

expenses for this and my Norwegian fieldwork the following Spring were covered by a Doctoral Fellowship from the Institute of Social and Economic Research (ISER) at Memorial University. Roxanne Millan, ISER's Administrative Officer, is the model of facilitation and assistance - if only there were more like her.

The Royal Commission Chairman, Doug House, was ISER's Director, and he and other ISER-affiliated academics provided invaluable feedback on the application of my developing research agenda to Newfoundland. Peter Sinclair and Larry Felt, in particular, contributed greatly by sharing the results of their research on the Great Northern Peninsula Development Corporation, which would become one of my four Newfoundland cases. Provincial government civil servants, Rich Fuchs and Chris Palmer, also made significant contributions to the selection of cases and in providing feedback on my ideas.

During my last month in Newfoundland, I carried out my case studies. The list of people to thank is too long to mention, but Sandy Ivany in Buchans, Randy White in Lewisporte and Bill Pardy in Pasadena deserve special mention for their willingness to provide extra time for follow-up interviews and materials. My thanks go to every person who agreed to an interview and who helped out with accommodation.

Empirical research fed into further theoretical work back in England, as I researched and wrote a working paper presented at Birkbeck College in February 1990 (Greenwood, 1990). In this I grappled with how theories of underdevelopment applied to the Newfoundland context and how this related to conceptions of development. The notion of linkages articulated in Chapter 3 emerged from this, as well as further efforts to integrate an understanding of the spatial implications of sectoral and industrial interdependance. My Newfoundland fieldwork had focussed on differences between organisational forms, in terms of jurisdictional authority, fiscal autonomy and electoral accountability. The wide variance in territorial size of each had emerged in the fieldwork as a significant contributor

to the formulation and implementation of development strategies. As the relative absence of community-controlled economic enterprises - involved directly in production rather than promoting it - became apparent, I also realized that greater attention needed to be paid to the private-sector clients of development bodies.

These conceptions informed my case studies in Northern Norway in the Spring of 1990. The choice of Northern Norway, despite offers of assistance from Svend Otto Remoe, was based on both pragmatic and substantive grounds. The latter are explained in Chapter 1. In pragmatic terms, Professor Svein Jentoft at the University of Tromso simply made me an offer too good to refuse. As Director of the Institute of Social Sciences in Tromso, he had worked with Doug House and other ISER scholars over the years, and his own research in fisheries management called for increased comparative work between Northern Norway and other fisheries dependent regions. His personal and intellectual generosity were a godsend for a doctoral student. He arranged accommodation in Tromso, organized two seminars for me to give, for which I was handsomely paid, provided me with an office and unlimited facilities, and even loaned me a university vehicle for one field-trip. All this was in addition to inviting me to his home, going for a picnic on a beach in a breath-taking fjord with his family, and establishing what I hope will be a life-long intellectual and personal relationship.

Svein's colleagues were no less generous in all respects. Helge Larsen, Nils Aarsaether, Jan Einar Reiersen and Toril Ringholm all shared their knowledge on kommune and fylke economic development initiatives and helped in selecting appropriate kommunes to study. Once again, the people who consented to interviews, helped with logistics in travelling throughout Northern Norway, and offered their hospitality, deserve sincere thanks for their contribution to this work and to many fond memories of the land of the midnight sun - which was in evidence throughout my month above the Arctic Circle.

I returned to Coventry with many taped interviews to transcribe and reams of interview notes. I had still not written up any of the Newfoundland case studies, and before I did those or my Norwegian material, Richard suggested that I write a detailed theoretical outline which would guide the case analysis. This forced me to read some more on theories of development (to which a new Ph.D. colleague, Godfrey Baldacchino, contributed greatly), spatial theory, and in an emerging distillation of what was really important to me in the flexible specialization literature, regional production systems. Professor Peter Sjoholt, with the Norwegian School of Economics and Business Administration in Bergen, shared his own research ideas with me on this and pointed me towards the Scandinavian literature on inter-firm networks. Once again, like most Norwegian academics, Peter just did not know how to separate business from pleasure, and the hospitality of he and Mrs. Sjoholt while I was in Bergen was greatly appreciated.

With the theoretical outline as complete as it could be within ever-tightening time constraints, I launched into the dissection of my Newfoundland and Norwegian case study materials using the analytic categories as guides to organization. I agreed with Richard that the eight cases would be best organised in chapters integrating them thematically, rather than writing them up individually and then trying to impose some order. This also highlighted where there were gaps in the research, and this was most evident in the lack of interviews with private sector business people in Newfoundland. To address this imbalance in the research, to get feedback on the specifics of the Newfoundland material as it was written up in chapter form, and to update the Newfoundland cases with any major developments since the fieldwork almost two years before, it was clear that a final trip was necessary.

Once again, ISER provided the crucial financial support for research expenses outside Britain, this time in the form of a Doctoral Research Grant. I presented an ISER Seminar upon my arrival in April 1991, from which I received some useful comments and suggestions. My thanks to the participants. Rich Fuchs and Chris

Palmer read draft chapters and provided their usual well-informed and thoughtful comments, and Provincial Director of Municipal Affairs, John Moore, provided some helpful factual corrections to Chapter 4.

In a satisfying confirmation that I had chosen a research topic of direct significance to the contemporary Newfoundland political economy, I was also invited to present my findings to the Newfoundland Economic Recovery Commission. This is a crown corporation established by the Liberal Party administration which replaced the Progressive Conservatives after Peckford retired. Despite having appointed the Royal Commission on Employment and Unemployment, the Peckford government had made little more than a token implementation of its findings. The mega-project mentality and federal-provincial relations had dominated thinking amongst politicians and senior civil servants too long for a radical change in policy without a change in government. The new premier, Clyde Wells, had campaigned largely on a mandate of implementing the Royal Commission findings. Once in office, he appointed Doug House to head the Recovery Commission, and it is still in the process of implementing the organisational structures and programmes consistent with the vision outlined in Building on Our Strengths.

As a provincial initiative which unfolded as my own research took place, I have not analysed the Recovery Commission's early efforts. It is significant that the proposed regional development boards have not been established, and the Commission invited the Executive Director of the Federation of Municipalities to attend my presentation. As exciting and fulfilling as it is to have one's research taken seriously by policy makers - however much impact it actually has - I hope this research goes beyond the scope of a consultant's report. David Winchester offered this useful cautionary at my first IROB presentation on my research objectives, when I was fresh out of the Premier's office and no doubt more insufferably optimistic about the efficacy of enlightened political intervention than usual.

Chapter 1, and the rest of the paper, present the thesis as a finished product, with few indications of the evolutionary process that led to it. The inter-disciplinary and contextual approach makes the finished product difficult enough to convey coherently, without accompanying auto-critique. Despite wide-ranging empirical research, though, this has been explicitly rooted in theory. An effort to grapple with the underlying causal forces at work in local state efforts to promote economic development in peripheral regions, entails delineation of the constraints as well as the potential of effective intervention. Explanation, as will be outlined in the section on methodology below, must go beyond the superficial recommendations common to a consultant's report. Whether I have achieved this can be judged by the reader.

I am, nevertheless, unapologetically driven by the desire to inform 'what is to be done' to enable Newfoundlanders, and other residents of peripheral regions, to pursue creative and constructive livelihoods without adding to migration statistics. This is a normative commitment generated by my personal history and - rapidly - developing family experience. I was born in Toronto, the economic and political powerhouse of Canada, but my family moved to Newfoundland when I was seven. My mother was a Newfoundlander, and the close ties of her extended family, annual reunions in the outport community where they originated, and continuing links to the fishing industry, provided a stark contrast with the alienation and artificiality of suburban prosperity in southern Ontario. My father, a Torontonian, recognized this (without the trappings of intellectual jargon), and had the courage to act on it. I know he is as much a Newfoundlander as any native. I thus have the conviction of the convert, and I am forever indebted to both my parents for daring to risk financial security for a more nebulous but infinitely more fulfilling 'way of life'.

Now I have my own family, the 'production' of which has paralleled this thesis. Jackie and I welcomed Kate just two weeks before I left for my Norwegian

fieldwork in 1990. Jackie's mother, Madelaine Lane, travelled to England to help out while I was gone, and there is no doubt that this thesis would not have been possible without her. No sooner had she returned to Newfoundland - well, a few months - than we learned that another was on the way! Back she came to help out again, and it was at this point that I decided that case studies in Scotland were a bit too much to attempt. The gaps in the Newfoundland fieldwork did need filling, though, so we decided that this baby would be a Newfoundlander.

We stayed with Mrs. Lane in Jackie's home town, Millertown, which - only partly for pragmatic reasons - had been included in one of my case studies. I updated my case studies, travelled back and forth to St. John's (a six hour drive) to give presentations, and continued to write chapters, before and after Luke made his appearance (three weeks earlier than expected). Living in what is a declining logging community for two months was a useful ethnographic experience. Jackie's best friend, married, with two children of her own, moved to 'the mainland' while we were there because of too few employment opportunities. She and her husband owned their own home, benefitted from the informal economy and self-provisioning of firewood and wild fish and game, and managed to get enough work each year to qualify for unemployment insurance. Despite a preference for small-town life, close to family and outdoor recreation, for an energetic and intelligent young couple, Millertown no longer offered enough opportunities for a fulfilling livelihood.

My 'office' while in Millertown was in the library of the elementary school. My thanks to Principal Ron Menchington and his staff (of two) for their co-operation in providing an ideal work space and friendly environment. The twenty-five children enrolled in the school enjoy the latest teaching aids - including two Apple computers - and a teacher-pupil ratio any private school would envy. Because of declining population, however, the future of the school is in danger, and even the youngest students face a half-hour bus trip to the next centre, providing a further stimulus for parents to leave.

In a period when even social democratic and socialist governments can not avoid fiscal restraint, peripheral communities can no longer rely on transfer payments for survival. Generating economically sustainable activity is the only alternative, unless one posits a vision of back-to-the-land self reliance that few will accept. I now have my own children, who I want to have the choice to enjoy the sense of identity - both social and environmental - that being a Newfoundlander means to me. This does not call for a parochial and reactionary evocation of traditionalism. That is a sure means to regional stagnation: economically and culturally. 'Think global, act local' is becoming a cliche for much alternative thinking on economic and political reform, but it contains a truth that resonates with the times, in peripheral regions as elsewhere.

My own effort to situate peripheral regions within a range of literature on international political economy is consistent with this. The international student body in SIBS doctoral programme has contributed as much to this for me as formal research. Carlos and Barbara Hemais, and their son Marcus, in particular, have opened up new global perspectives to Jackie and I. Newfoundland and Rio are not so far apart! Carlos has also come to my rescue on innumerable occasions when computers threatened to swallow months of writing.

This autobiography of the thesis only highlights the major contributions and contributors to what has truly been a collective effort. Several people who have not yet been mentioned, have contributed more than formal obligations would demand. These include Greg Kealey, Chris Moore, Jane Wheelock, David Andersen and Richard Cullen, who provided thoughtful comments on very long and convoluted working papers. The members of the International Society of Marginal Regions and the British Association of Canadian Studies have added collegiality to the academic exercise. My brother, Rick, and his wife, Sharyn, have answered numerous calls for favours without complaint - thank you.

It is to Jackie alone, however, that this thesis is dedictated. For putting your own education on hold for three years; doing everything possible to make ends meet with our ever-tightening household budget; tolerating an absentee husband at times when you needed me most, particularly with two new-born babies; and for always being there to bounce my ideas off, and cushioning the inevitable ups and downs of a three-year research project, I can never express my thanks enough. I am, at best, a verbose academic, not a poet, but I can try to show my gratitute with actions. Now it's your turn.

CHAPTER 1

Introduction, Methodology, and Methods

1.1 The Thesis

The 1986 Newfoundland and Labrador Royal Commission's analysis of Newfoundland's economic and political problems, and its reference to how such problems have been approached in other countries - and elsewhere in Canada - raise issues which transcend the specific policy needs of one location. It provides a window on a range of questions that can be asked more generally. How do we define development? What are the causes of regional economic disparities and underdevelopment? Is it possible to intervene in the economy to facilitate economic development? What institutional level can intervene most effectively to generate economic activity? Can the experience of one national or regional context inform intervention in another? Is regional development a worthwhile goal in the first place? Whose interests does it serve?

A normative assumption underlying the very posing of these questions is that the creation of viable economies and the employment possibilities that go with them is justifiable on the basis of choice in a free society. Any assertions of equal rights in civil society are undermined where economic prosperity in some regions co-exists alongside deprivation in others.

The same can be said of class divisions, of course. Is it possible to address both forms of inequality together? Could progressive regional development policy create economic development that improves working conditions, workers' control and pay? Is class identity submerged in local or regional distinctions by which individuals define themselves? If regional development policy is controlled by local or regional bodies which are democratically accountable, will not economic initiatives have to respond to the needs of the majority? Is it possible to reconcile

the imperatives of economic efficiency and profit maximization with the interests of workers or the community as a whole?

This thesis posits an explanation of the political and economic forces at work in attempts to facilitate local economic development in peripheral regions. Consistent with the conception of political economy as the effort to understand the operation of economic life as it is shaped by social, cultural and political forces, this explanation gives equal weight to political organization and economic strategy. On the basis of a comparative analysis of Newfoundland and Northern Norway, it contends that decentralizing economic decision-making must go beyond a reliance on the voluntary sector as the Newfoundland Royal Commission recommended, to provide local actors with the autonomy, resources and competence necessary for effective economic intervention.

Only local government - a level of the state - combines these with the authority that comes with ultimate recourse to the use of force to implement its decisions within its legal and territorial jurisdiction. Only a decision-making body that is held locally accountable through democratic election by universal franchise, moreover, can claim - and expect to be afforded - the legitimacy to speak for its electorate. As a level of the state, finally, local government has the potential to be integrated with higher levels of decision-making and support, if those levels are interested in providing the co-ordination and resources necessary for local initiatives to respond to national and international forces and opportunities.

If economic decision-making is to address the needs of the entire population, however, the formal political system is, in practice, often lacking. The voluntary sector, community pressure groups and unions, must therefore also be afforded a voice in economic decision-making. The experience of peripheral regions in this regard does not point to easily established institutional 'fixes'. What it does suggest, is that the creation of sustainable employment - in both the economic and environmental senses - is sufficient in areas of dispersed populations to afford a

standard of living or quality of life which provides commonalities that mitigate class-based social divisions. Regional and local identities, perhaps reinforced by the relative deprivation of peripheral regions compared to metropolitan areas, continue to provide a sense of community or organic solidarity which transcends class.

Such relative social cohesiveness can in fact point to potential economic development strategies for local decision-making bodies. Emerging trends in the global economy suggest that regional production systems consisting of inter-firm networks may enable economically competitive production in peripheral regions. These networks enable small and medium-sized firms to specialize in various aspects of the production process, gaining some of the advantages traditionally enjoyed only by large firms. To do so requires a potentially precarious combination of co-operation and competition, which shared regional or local identities may contribute to. In areas where such networks have been successfully established, local government has been one means to facilitate co-operation through provision of joint service facilities and by encouraging the formation of consortia of firms. Local government can also attach progressive employment stipulations to its assistance to improve working conditions and pay.

These strategies also enable development to complement dispersed populations and the informal economy in peripheral regions. One of the comparative advantages enjoyed by these regions, because of their traditional precarious employment conditions, is a labour force accustomed to flexible employment. The addition of locally-based paid employment, even if lacking the year-round job security and high wages offered by unionised jobs in large firms (itself becoming a rarity), would supplement the seasonal employment and occupational pluralism common in these areas.

The spatial manifestation of employment on the sub-regional level is also crucially important. For such initiatives to draw on community support, they must not

extend beyond the local labour market area. Even within localities, local identities can lead to divisions, but if all inhabitants are within reach of jobs created, economic need is likely to override parochialism. Areas larger than this will be hampered by competition between communities.

For some economic sectors or production processes, larger areas may be suitable for regional production systems. In this case local states may choose to form joint development bodies, but political accountability should remain at the level of community identity. The local state as polity cannot be sacrificed to the functional requirements of economic development, if participatory democracy is valued and to be encouraged beyond the widespread apathy typical of existing democratic states. By enhancing the functions of local government in an area crucial to community survival, moreover, perhaps a sense of political efficacy can develop, increasing demands on the state and ensuring that this most powerful of social structures becomes truly representative. Recourse to the voluntary sector, or to idealistic visions of a stateless society, only serve to enable state actors to ignore the needs of the population they are supposed to represent.

Successful local development initiatives in peripheral regions thus depend upon a lead role by the local state in the implementation of policies to foster the creation of linkages between firms within the locality. Elements of this economic and political development strategy have emerged in Newfoundland and Northern Norway, in some cases with local government involvement, but with little articulated or integrated plan. The eight detailed case studies of local economic development activities analysed in Chapter 5 indicate that a strategy to facilitate inter-firm networks in peripheral regions is consistent with the causal processes already at work. The evaluation in Chapter 4 of the institutional forms now operating in these contexts - voluntary groups, local authorities, regional co-operation, and county, provincial and national bureaucracies and political boards - reveals the lack of co-ordination and integration of available resources and competence. Reforms or experiments in institutional forms are underway in both

regions, but unless these consciously account for the role of the local state in facilitating inter-firm networks, the emergent opportunities presented during this period of global restructuring are likely to be missed.

No effort is made, finally, to draw a sharp distinction between the Newfoundland and North Norwegian experiences. The thesis draws on material from the cases studied in both regions to illustrate and develop a more general understanding of the role of the local state in generating economic development in peripheral regions. Differences in the social and political institutions and structures of Canada and Norway nevertheless condition the opportunities and constraints on development efforts within their respective peripheral regions. These national characteristics are accounted for in explaining the unique historical and contemporary experience of each region. How this can be accommodated within an analysis attempting more general explanation of the forces at work requires an explicit elaboration of methodology.

1.2 Methodology

If the goal of research is to inform practical interventions in the real world, it is not enough to study varying empirical phenomena with a view to applying the experience of one location to that of another. If policy is to have a '"causal grip" on the agents of change', it must be based on an understanding of causal forces rooted within specific contexts (Sayer and Morgan, 1985:154). This is not to say that lessons can not be learned from contrasting cases. Indeed, many social scientists accept Durkheim's maxim that in so far as research is to achieve more than simply description it must be comparative (Giles, 1986:11). The effort to abstract general lessons from specific contexts requires an explicit elaboration of methodology: how the theoretical is linked to the empirical, the general to the particular, the abstract to the concrete (1).

1 Drawn from a presentation by Richard Hyman to Doctoral Students Workshop, University of Warwick, 19 October 1990.

Calls such as that by the Newfoundland Royal Commission on Employment and Unemployment to learn from the success of other peripheral regions are a healthy effort to overcome ethnocentric assumptions based on your own immediate experience. Yet, in its decentralization initiatives, the Commission relied heavily on a consultant's report on the Scottish Highlands and Islands Development Board, which down-played the role of local government (Canning, 1986). Like Newfoundland, the Highlands and Islands have very weak municipal authorities, while lacking the regional power of a provincial government. It is therefore not surprising that the Commission emphasized the creation of regional boards incorporating voluntary organisations, instead of the local state.

As discussed by Giles (1986:11-31), the choice of cases must be theoretically informed, and how similar two cases are in a particular variable will influence the findings derived through comparative analysis. Drawing on efforts to attain universally applicable laws in the natural sciences, some scholars argue for 'most different' research designs. By choosing cases which are as different as possible, dangers of overdetermining research findings are thereby reduced. Giles argues that such objectivist approaches fail to account for the subjective nature of social phenomena. Theories sufficiently universal to meet such criteria, moreover, would have to be so abstract as to be of 'dubious value' (ibid.:22). Mills described these as the 'useless heights' achieved by 'grand theorists', who never 'get down from the higher generalities to problems in their historical and structural contexts' (1959:33).

Giles suggests a compromise between 'most different' and 'most similar' cases, in which 'background variables' are reduced. In cross-national comparative research, for example, countries sharing similar political systems could be selected, such as Western versus Communist (more relevant in 1986 than today). Such choices would depend on what factors were being studied, and to reduce the risk of overdetermination, theoretical assumptions are made explicit. Cases are thus

chosen which are 'meaningfully similar' (ibid.:26; See also Pickvance, 1985a, which makes the same arguments).

This approach conflicts with those which assume that research can 'build theory' from multiple case studies, without prior commitment to specific theories (Eisenhardt, 1988). While the theoretical development of a question should progress with empirical research, the very identification of a problem requires theoretical assumptions, whether made explicit or not. This applies to exploratory and problem solving research no less than theory-testing studies. Once the commitment to research is made, of course, hunches, intuition, opportunism and pragmatism in the research process (as outlined in the Preface), all come into play (Ferner, 1989:4-5).

As a research question inspired by a real world problem in my home province, examining the role of the local state in economic development in peripheral regions is nevertheless theory-laden. In choosing the West of Ireland, the Highlands and Islands of Scotland and Northern Norway as the primary comparative possibilities, I accepted the Royal Commission's emphasis on peripherality. Chapter 3 presents an analysis of peripherality as a process influenced by economic and political forces. In identifying peripheral regions of industrialized countries, the end result - to date - of the process is taken as inherently significant in efforts to generate economic development (itself requiring explicit definition).

Two features of peripheral regions were considered most significant, in both the early theoretical formulations and subsequent research findings - the empirical evidence must determine whether this was happy coincidence or not. First was the common predominance of primary resource industries, contributing to dispersed populations, seasonal employment and vulnerability to international market conditions. Economic stagnation with consequent out-migration and population decline, was the second meaningfully similar characteristic of these regions. The

causal connections remained vague, but it was assumed that they were inter-dependent. The existence of these characteristics was also assumed to hinder efforts to generate employment creation; they were both caused by, and reinforced, underdevelopment. A common strength of such regions - continuing informal economic activity and occupational pluralism - qualified the conceptualization of development.

Research logistics and personal considerations eliminated Ireland and Scotland from the eventual case studies, but the effort to examine the significance of local decision-making on economic development made Northern Norway the 'most different' case in terms of the institutional variable. The strong Norwegian local state contrasted markedly with underdeveloped Newfoundland municipalities, offering potential clues to the significance of decentralization. The importance of the territorial dimension of the local state only emerged after research progressed, initially in Newfoundland, where federally-appointed Community Futures Committees, Regional Development Association areas, and municipalities, differ widely in size. Fieldwork in Norway later demonstrated the significance of varying kommune sizes, pointing towards a conceptualization of localities.

Making the theoretical basis for comparison as explicit as possible in the early stages of research does not answer the question of how findings in one context are to be related to another. A strong local state in Norway, if found to foster local economic development, can not simply be imposed in the Newfoundland context where there are vastly different political traditions, institutions and interests.

Survey methods offer little potential in achieving generalizable findings with these questions. Even if variables could be isolated to measure such complex phenomena, statistical frequencies would have little meaning with such a limited sample of international local government forms. Indeed, various works on social science methodology maintain that the complexity of such real life phenomena make statistical methods inappropriate. Yin argues that only case studies account for

the holistic and meaningful relationships of the 'entangled situation between phenomenon and context' (1984:25). Similarly, Massey and Meegan contend that to understand the how and why of economic change, it is necessary to go behind the patterns and trends revealed by aggregate, statistical studies (1985:123).

In the same volume, Sayer and Morgan contrast intensive and extensive studies, in which the latter - denoting quantitative analysis - are limited by the problem of 'ecological fallacy': 'combinations of characteristics true of aggregates are not necessarily true of the individuals that comprise them'. They concede, however, that intensive studies suffer from a converse inability to draw conclusions for the entire population (1985:153). Fothergill and Gudgin make this criticism of case studies, suggesting that they 'should normally be avoided', because it is difficult to consider them typical, and because such particularistic studies obscure trends (1985:104).

These debates should not disguise the fact that quantitative data can be incorporated within, or even dominate, case studies (Yin, 1984; Ferner, 1989). But these data are specific to the individual case, or, where aggregate figures are used, supplement qualitative findings for individual contexts. Incorporating quantitative material does not diminish the fact that case studies operate on a different logic than surveys.

As put forward by Yin, surveys claim to represent the entire universe of potential respondents, and thereby provide a measure of statistical prevalence or frequency. In contrast with this 'sampling logic', case studies attempt to cover both the phenomenon of interest, and its context, preventing delineation of a limited universe of variables. Instead, they operate on a 'replication logic', which strives to develop 'a rich theoretical framework', which states the conditions under which a particular phenomenon is likely to be found. Analytic generalisation, not statistical generalisation, is the goal of case studies; they are generalized to theoretical propositions, not to populations or universes (1984:21,48-49).)

This both supports and qualifies comparative case study research. Selecting more cases does not make findings more representative, as they are not based on a sampling logic. By providing additional means to develop and test theoretical generalizations, though, additional cases do enable claims to generality to be strengthened or disproved (ibid.:48-53). Comparative cross-national case studies allow theories to be generated which transcend national boundaries, although this does not have to result in such grand theory as that attacked by Mills. Rather, 'intermediate theoretical levels and categories' can be adopted 'to link the broad theory with the observable real world phenomena' (Ferner, 1989:3,9).

Realist conceptions of science present a useful means to specify the dynamics of how the general and the particular interrelate. If underlying causes, rather than statistical regularities, are sought after, 'entities to which causal powers can legitimately be attributed' must be identified. (Pickvance, 1985a:5). Isaac has described realism as 'a philosophy of science which holds that the task of scientific explanation is the discovery of those enduring mechanisms which cause the occurrence of empirically observable events'. How these mechanisms are manifest in real world events is 'unpredictable, but not undetermined' (1987:187,191).

Sayer and Morgan (1985:154), continuing their comments cited above on the inability of individual cases to represent wider populations, adopt a realist perspective in describing how causal forces identified in one context can be related to other contexts. They explain that 'Actual concrete processes or events are produced through a combination of necessary and contingent relations and so the research findings describing these are unlikely to be generalizable to other contexts'. Contingent relations between phenomena or characteristics are those which are neither necessary nor impossible. Necessary relations are those 'enduring mechanisms', (in Isaac's terminology), revealed through intensive studies, which can be expected to exist wherever specific phenomena or characteristics are found .

Consistent with Yin's notion of 'analytic generalization', then, the mechanisms and structures that generate causal processes - contributing to the formulation of theories of causation - can inform other contexts. The description of concrete events in one case can not be generalized to another case, but the necessary forces operating in one can be discerned in others, although their actual manifestation as concrete events will depend on their combination with varying contingent forces in each context. The experience of Silicon Valley cannot be expected to be replicated in Northern Norway, but an understanding of the forces at work in the former could be related to the latter to inform policy decisions on economic development. Similarly, the operation of the local state in Norway can not be applied directly to Newfoundland, or vice versa, but lessons can be drawn from the experience of each to inform the other.

This combination of forces in real world events points to the importance of allowing for the possibility of 'plural causation' (Pickvance,1985a). Numerous commentators have bemoaned the absence of a general theory of regional underdevelopment, as if such a multi-faceted, spatially-diverse and historical process could be encapsulated by a single theory (For examples, see Brodie, 1989; Drache and Clement (eds.), 1985; Edel, et al., 1978). Numerous Marxist long-wave and stagnation theories, in their 'reductionist conceptions of the capital accumulation process', have suffered from a priori commitments to essentialist theories of causation (Norton, 1988). These are perhaps the worst offenders in the formulation of remote and empirically untestable grand theory.

Even for those who adopt an essentialist assumption of causality, this need not necessarily be so. For the realist, according to Issac, social science is essentialist, but

> it does not, therefore, presume any immutability or teleology about the world, nor does it presume that underlying causes can be unproblematically perceived. Rather, it presumes that the world exists independently of human experience, that it has certain enduring properties, and that science,

> through the development and criticism of theories, can come to have some (however imperfect) knowledge of it (1987:191).

As noted by Pickvance, some Marxist approaches have a strong sense of historical process, allowing for the complexity of processes by which a society reaches its level of urbanization or industrialization (1985a:5). Marxist theory, by emphasizing 'previously repressed' aspects of social life - 'the processes of extraction and distribution of surplus labour, or the processes of class' - allows a fuller understanding of capitalist societies, but this does not necessitate class being 'singled out as the ultimate or essential source of social dynamics' (Norton, 1988:221). Hyman has rightly queried, in relation to internal and external determinants of management strategy, whether explanations need be alternatives rather than complementary (1987:49).

By allowing for the diversity of causal processes - both necessary and contingent - which combine to produce social phenomena, plural causation 'enables one to develop more sophisticated and richer explanations', as well as discouraging the abandonment of promising ideas early in the research process (Pickvance, 1985a:13). If a post-modern rejection of any rational, 'originating source of action', which leaves 'an endless series of contingencies' (Clegg, 1989:7), is to be avoided, nonetheless, it is not possible to be 'unthinkingly eclectic' (Massey and Meegan, 1985:169). Seeing causal forces as structurally interconnected, such that their combination alters the way in which each individually works (ibid.:8-9), is little different from the 'elective affinities' between clusters of variables which typified the methodology of Max Weber (Smelser, 1976:114-50), surely one of the prototypical modernist thinkers.

Mills, who worked in the tradition of Weber as much as Marx, maintained that while many factors could be identified in the generation of any social phenomenon, there was no reason to be overwhelmed. The goal was to determine which were 'adequate causes'; 'to open up a view of those strategic factors which as objects of political and administrative action offer men [sic] a chance to make reason

available in the shaping of human affairs' (1959:85-86). This political thrust to intellectual endeavour emphasized the ability to discern the centrality of causal forces, without abandoning the contingency of human events introduced by human agency. As captured in Giddens' notion of 'structuration', social structures are both the medium and the result of human agency; they are both enabling and constraining (Manicas, 1980).

This conceptualisation accounts for the historical transformation of social structures, which Mills recognized in describing history as 'the shank of social science' (1959:143). It is the task of history to account for all the forces which contribute to the shape of events as they occur in time. As explained by Manicas, while sociology attempts to abstract social structures as causes, history 'links into a causal nexus the motivated acts of agents, the intended and unintended consequences of those acts, the accidental events...with the conditions (structures) obtaining at that time and place in history' (1980:76).

To follow in the tradition of Mills, then, is to accept that people, within specific milieux - or contexts - do possess some degree of freedom, and their actions are not 'readily predictable'. But the individual can not be removed from the institutions or social structures within which 'their biography is enacted'. Consequently, some are 'much freer than others', depending on their access to 'the means of decisions and of power by which history may now be made'. Thus,

> the future of human affairs is not merely some set of variables to be predicted. The future is what is to be decided - within limits to be sure, of historical possibility. But this possibility is not fixed...Beyond this, the problem of freedom is the problem of how decisions about the future of human affairs are to be made and who is to make them. Organizationally, it is the problem of a just machinery of decision. Morally, it is the problem of political responsibility. Intellectually, it is the problem of what are now the possible futures of human affairs (1959:116-17,161,174,181).

In this sense, my research question - or, at least, my approach to it - arises directly out of my methodology, an occurrence Massey and Meegan see as inescapable. Consistent with the title of their work Politics and Method (1985), this extends to political intervention. If people within peripheral regions are to

maximize development possibilities within the substantial constraints they face, access to institutional means of shaping their future must be accounted for. As will be seen, these are not simply technocratic questions of policy optimisation, but of political power.

Like Massey and Meegan, I do not hold out much hope for a 'one-off storming of the central citadel after which "the whole system will be changed"' (1985: 142). But neither do I see the efficacy of using local initiatives as efforts to directly challenge the capitalist system. Unless seen as forerunners of more extensive national policies, local initiatives must take advantage of existing niches, not try to revamp the system. Indeed, it will be argued that national political structures reinforce political and economic weakness in the periphery. By enabling peripheral populations to more effectively represent their own interests, stronger local political institutions create new structural contexts within which demands and actions can be launched.

As argued by Crowe, moreover, where constraints on human agency are greatest, the need for strategy is accentuated. Where there is no room for 'conscious and rational decisions involving a long-term perspective', strategy can hardly be said to exist, but few real life situations are so constrained. As long as local actors lack the institutional wherewithal - legislative authority, fiscal and administrative resources - their ability to adapt to changing circumstances while aiming for development goals will be paramount. If their power and autonomy can be enhanced their ability to implement strategic decisions is enhanced (Crowe, 1989). When the range of national and international forces acting on depressed localities is accounted for, nevertheless, even a strong local state will need the best possible strategy to generate economic development.

Whether decisions are truly rational or based on accurate information is another matter. While strategic initiative could be clearly attributed to an individual leader, organisational decision-making can be incremental, confused or short-term

responses to crisis. In an analysis of how capital steers a course within the structural contradictions of the capitalist system, Hyman argued that there was 'no "one best way"'; 'only different routes to partial failure' (1987:30-31).

The same healthy scepticism should be applied to the judgements of academics. The discipline of history, in addition to tempering any assumptions of scientific prediction, also points to the historic fluctuation of ideas and assumptions (Collingwood, 1946; Lovejoy, 1960; Carr, 1961). It does not take an historian to recognize that, in the end, the attribution of cause in social processes is a matter of inference (Pickvance, 1985a:11). Realism provides us with useful conceptual tools to work our way through comparative methodology, but the intellectual project, for this analyst as with others, is ultimately a craft not a science (Mills, 1959, Ferner, 1989).

1.3 Methods

Four 'cases' were studied in Newfoundland, and four in Northern Norway. As a study of 'local' decision-making, the choice of cases in the Newfoundland context meant that various institutional forms on the sub-provincial level were included. On a spatial level, the largest of these were federally appointed Community Futures Committees which cover territories roughly equivalent to Norwegian fylkes (the only intermediate level of elected government in Norway). The Committee boundaries are indicated in Figure 2 by the dashed lines on the map of Newfoundland. Fylke boundaries can be seen in Figure 4.

Within each Community Futures area, a municipality or development corporation was chosen as the prime focus of study. In Pasadena and Lewisporte, the economic development activities of local government were of most interest, and in Buchans, a development corporation within the municipality, but formally independent from local government, was studied. The fourth Newfoundland case is the Great Northern Peninsula Development Corporation (GNPDC), formed by the six

voluntary Regional Development Associations in the region. As indicated by the dotted line in Figure 2, the GNPDC area essentially coincides with the Community Futures Committee area on the Peninsula.

The Regional Development Associations within each Community Futures area studied are shaded in Figure 2. See Figure 3 for a map of all Regional Development Association areas in the province, along with a listing of their names. The Red Indian Lake Development Association overlaps completely with the Buchans Region Community Futures Committee area, while other Committee areas include all or part of numerous Development Associations.

Organizational fragmentation, territorially - and, as will be seen, otherwise - is an understatement. Calling these 'cases' is perhaps stretching the usual usage of the term, but within each of the four Community Futures regions, the complex and varied interrelationships between municipalities, development corporations, Development Associations and Community Futures Committees, are studied in depth. Individual firms or community-controlled enterprises within each of the focal cases were also studied in terms of their relation to the various economic development activities of the institutional forms.

In Norway things are much simpler, at least superficially. Kommunes are the lowest level of the state - although 'the state' to Norwegians refers exclusively to the national level. As will be seen, however, if any local government body internationally can be considered a level of the state, it is the Norwegian kommune. They have substantial political and fiscal autonomy, legislative and conventional authority, and administrative competence. All local development activity I discovered within kommune boundaries which was not exclusively private sector or operated directly by national administrations, involved the kommune. Unlike Newfoundland municipalities, Norwegian kommunes - originally based on church parish areas - encompass numerous individual communities, not unlike Regional Development Association areas.

Three kommunes were initially selected as cases: Salangen, Lyngen and the island kommune of Vega. Just as I avoided the political and economic centre of Newfoundland - St. John's - I wanted to stay away from its equivalent in Northern Norway, Tromso. As my base of research in Norway, however, I spent sufficient time there to learn of intra-kommune efforts to decentralize some economic decision-making to individual communities or localities. Kommune sizes vary tremendously, and Tromso is the largest in the country. Consequently, I incorporated the community committee of Sommaroy as a fourth case in my Norwegian research, adding a degree of symmetry to the Newfoundland-Norway comparison. Figure 4 shows the four cases as shaded or, in the case of Lyngen, with horizontal lines.

Northern Norway is universally regarded as the three northern-most fylke - Nordland, Troms and Finnmark. For logistical reasons, I chose not to include Finnmark, although its absence coincided well with the exclusion of Labrador in the Newfoundland research. Both regions are extremely sparsely populated and suffer climatic constraints on development. They both also include significant populations of native peoples, which present an important and interesting dynamic in considering economic development and the state, but I already have more than enough necessary and contingent variables to worry about!

No effort was made to choose 'typical' cases in Newfoundland and Norway. Indeed, the two Newfoundland development corporations are the only such examples in the province, and Pasadena is by far the most active rural municipality in terms of economic development. Lewisporte was chosen primarily for pragmatic reasons: I have family living there who could provide accommodation. As a regional service centre within a Community Futures Committee area dominated by a larger centre, nevertheless, it provided useful insights into the definition of localities.

In Norway, Salangen represents the model of successful kommune-led development activities. Lyngen, by contrast, has done little to generate economic development, yet it includes the tiny community of Furuflaten (see Figure 6), which is home to several manufacturing plants and a major contracting company. Vega was included primarily because it is involved in the Norwegian 'Free Kommune Experiment', which is increasing the autonomy of selected kommunes throughout the country on a trial basis. Just as significant, though, are its innovative development efforts and co-operation with neighbouring kommunes. It has yet to stem the tide of out-migration, however, so can hardly be considered a success story.

Other than overcoming logistical and financial problems in travelling to such remote locations, gaining access for research purposes - often a problem for researching business or government - presented no difficulties. In Newfoundland, my government experience, even after the party in power had changed, helped open doors, particularly to interviewing senior provincial civil servants and in attaining documents. I doubt that it made much difference to municipal or Regional Development officials and staff, as they have so few requests for such access that they are flattered to comply.

Much the same applied in Norway, where the novelty of a foreign researcher added to their interest in the project. The Norwegian academics mentioned in the preface also played a crucial role in facilitating contacts. Only in Vega was there some hesitance expressed, by one member of the kommune administration, about revealing details of their activities. This was due to the great interest shown by Norwegian academics and fylke and national government officials in the kommune's innovative initiatives, leading to fears that resentment would build amongst other kommunes. Assured that my work would not likely find its way back to remote kommunes, at least for several years, the kommune official in question provided some of the most poignant insights into the hopes and frustrations experienced in local development efforts.

At no time did language present a problem in my Norwegian fieldwork. My Norwegian contacts steered me towards kommunes where they knew officials spoke English, but once in the field I had chance encounters and followed leads which inevitably found Norwegians with a strong command of English. Being unable to read, or speak, Norwegian, I was limited in my use of newspapers, government documents and, indeed, academic secondary sources. In several instances, kommune, fylke and national government officials translated relevant sections of reports, particularly statistical headings. My Norwegian academic contacts also provided me with every paper they could find in English and gave interviews on works they had done in Norwegian.

Consistent with case study methodology, as well as rooting cases in their historical contexts, I drew on numerous sources of data (Yin, 1984). Because the emphasis is clearly contemporary, no original archival research was done, although various Newfoundland government documents were incorporated which would be considered historical documents. Especially useful were several Royal Commission Reports, including the 1986 Report which inspired this project in the first place.

Extensive literature reviews were conducted for both Newfoundland and Norway, in addition to the theoretical and international material, with only those sources cited directly included in the bibliography. Two separate trips each to Newfoundland and Norway (only one, of a month's duration, to Northern Norway), provided the bulk of the original documentary, ethnographic and interview material. Because much empirical evidence was only available through interviews, these have been cited comprehensively throughout the text. Interviews were conducted with academics, government officials - elected, appointed and staff - at all levels, Regional Development Association members and staff, and private sector business people who have dealt directly with local development programmes. A complete list of interviews incorporated into the final work is included as Appendix 1.

Consistent with Sayer and Morgan's advocacy of interactive interviews, to enable maximum information flow in the pursuit of contextual understanding (1985:156), a semi-structured format was adopted. A list of subject areas to be covered was checked off as the interview progressed, allowing discussions to lead where the informant was most interested, but ensuring that required topics were not missed. Interviews were not taped in Newfoundland, where access to documentary evidence was plentiful, but in Norway they were taped and transcribed to ensure that no piece of information or telling remark was missed.

The only hesitance expressed towards the use of the recorder was by the Nordland Fylkesmann, the appointed national state representative on the fylke level. His English was poor relative to his more junior but younger staff, two of whom sat in on the interview to translate where necessary. When assured that nothing that was said would be leaked to the press or appear in print for at least a year - by which time he would have retired - he consented. As it turned out, the tape had jammed and nothing was recorded. Fortunately, I took comprehensive interview notes along with recorded interviews to note extra details and as a back-up source.

Ethnographic research or direct observation was limited to the actual experience of travelling and residing in each of the case study areas during the course of conducting interviews. This was nevertheless sufficient to guage the quality of infrastructure, the spatial organisation of production and symbolic indicators of organisational importance. Local government buildings in even the smallest rural kommunes far surpass their Newfoundland equivalents, although the latter maintain a similar measure of prestige over Rural Development Association offices. Viewing manufacturing plants also provides a measure of employment and technological significance not gained through statistics alone. Too much importance should not be placed on such impressionistic evidence, but it helps to spur some of the intuitive connections necessary to bring meaning to complex phenomena.

Finally, all secondary and primary material, with the exception of some articles and books incorporated in the process of filling gaps in the end, were transcribed on 4 by 6 inch notecards. Each card is limited to a particular idea or piece of empirical evidence, with a title summarizing the card's contents on top. Sidney and Beatrice Webb described the same method in their Methods of Social Study (1932), which is perhaps most commonly used in history. It enables a large range of material to be incorporated analytically, with the organization of the paper taking shape in the constant shuffling of cards in the course of the research.

This method of data organization and classification can result in work appearing literature-led, although hopefully in original directions, tailored to the author's specific research question and interpretation. With various sources of evidence brought together in point-by-point form, it also provides an automatic process of 'triangulation', as contradictions and consistencies in evidence and interpretation are revealed (Yin, 1984). As with methodology, such methods allow the creative process of scholarship to flow in a manner more akin to a craft than a science. As described by the Webbs, 'The Art of Note-Taking' was not only a method of recording observations but an 'instrument of discovery' (1932:83). Whether art, craft or science, nevertheless, the academic project as pursued here is committed to harnessing theory and method in the rigorous analysis of real life problems. It is to that task that I now turn.

1.4 Overview of the Thesis

The thesis consists of six chapters. With the exceptions of this introductory chapter and Chapter 6, the conclusion, the chapters are lengthy, although relatively few in number. Sub-divisions are used frequently to help compartmentalize discussion within chapters. The length of individual chapter could have been reduced by separating the Newfoundland and Norwegian cases, but integrating case description and comparative analysis, it is felt, enhances the process of analytic generalization.

Because of the wide-sweeping nature of the research question, Chapter 2 draws on a range of academic disciplines and theoretical debates in developing an analytic framework for an understanding of the local state and economic development in peripheral regions. Theories of underdevelopment and development, and current research on global restructuring and the emergence of regional production systems, are related to the needs and conditions of peripheral regions. The experience of 'the Third Italy' and several areas in Scandinavia are explored in some detail to demonstrate characteristics of peripheral regions which may make them particularly well suited to filling emerging niches in the global economy. It then delineates the nature and role of the local state in facilitating the formation of the inter-firm networks which underlie regional production systems. Again, the Third Italy provides a useful study of the structures and strategies which can be adopted on the local level, especially when contrasted with the English Labour-controlled local authorities which were largely inspired by the Italian experience. Contrasting such local government bodies with 'Third Sector' organisations, finally, highlights the importance of the local state as a conceptualization of local decision-making.

These theoretical considerations are then used as the basis for the comparative analysis of Newfoundland and Northern Norway. Chapter 3 traces the manifestation of regional underdevelopment in Newfoundland and Northern Norway historically, and examines the failure of national, and in the Newfoundland case, provincial, regional development policy. In the course of the historical and policy analysis, the Newfoundland and North Norwegian cases are introduced.

Chapter 4 outlines the varieties of sub-national and -provincial decision-making bodies in each region, describes their origins, and assesses their legislative authority and responsibilities, fiscal autonomy, administrative capacity and local democratic accountability. It then analyses recent efforts to decentralize local

decision-making in each region, and explores the significance of the territorial dimension of the local state in representing local identities.

Chapter 5 assesses the constraints and strengths of the various institutional forms in efforts to generate economic activity. It is divided into three main sections. First, the traditional economic development efforts of local bodies are analysed. Next, emerging efforts to facilitate the formation of inter-firm networks are reviewed. Finally, the institutional, political and territorial implications of these various development strategies and organisational forms are drawn together in some tentative formulations of how the local state can best contribute to local economic development.

Chapter 6, the conclusion, relates the findings of Chapters 3 to 5 to the theoretical categories of Chapter 2 in considering what are the primary causal forces which constrain or empower the local state in efforts to generate economic development. Are regional production systems based on inter-firm networks appropriate strategies for peripheral regions? What organisational attributes are most important for local economic intervention? Can local development initiatives be combined with progressive employment policy? What role do higher levels of government have if the development powers of local bodies are enhanced? No definitive solutions are offered, but an agenda for future research - and action - is established.

CHAPTER 2

Problematizing Economic Development, Peripherality and the Role of the Local State

2.1 Introduction

While the problems which typify peripheral regions of developed countries are generally agreed upon (Byron,1987), efforts to delineate the underlying causes of persistent regional economic disparities have been more contentious. This has much to do with the differing conceptions of causation discussed in Section 1.2. In part, this is also because many concepts and theories of underdevelopment address differences and relations between countries, rather than within individual countries. Perhaps even more significant, though, is the lack of agreement on what constitutes 'development', and how it is to be measured. Even if ideological formulations agreed on the shape of the desirable 'developed society' - which they do not - the achievement of that goal will vary depending on the unit of analysis taken as a starting point.

Some theories begin with regional resource endowment, some with how firms exploit that resource in the production process, while others look to social and political structures. While each of these varying starting points may enable richer evaluations of specific aspects of development, no single theory can account for the complex and historically contingent processes that result in disparities between regions. It is necessary to trace the interplay of various economic, political and social forces as they are manifest historically to grasp how a particular region remains relatively underdeveloped. This is not to say that different processes are at work in different cases, but that there are different combinations of processes in each.

Any effort to go beyond a relativistic account of regional disparity, nevertheless, demands that the most influential factors be delineated. Recent work in economic geography has emphasized that geographic space can not be taken as an independent explanatory variable. It is the relations of economic, social and political actors and structures, as they inter-relate in space, that determine the level of development in different areas (Urry, 1981; Duncan and Goodwin,1988). Such relations occur within contexts shaped by the outcomes of previous development processes or 'rounds of accumulation' (Massey, 1984), so an historical dimension must also be accounted for.

This work, finally, in not inconsistent with the tradition of Canadian political economy, which affirms the significance of human agency. Within the constraints presented by the territorial and historical conditions they face, mediated by cultural and ideological factors and organisational forms, people - individually and collectively - shape their environment and society. Agency is bounded by structures, but it is not pre-determined: 'To know how societies are, and can be transformed, is the primary goal of political economy' (Clement and Williams,1989:10-11).

Recent trends in the global political economy are presenting new constraints and opportunities on the development prospects of existing peripheral regions. How these trends are understood, and how they are related to the political economy of particular regions, will determine the success of human agents in transforming their society. A review of the varying approaches to the problems of underdevelopment, development and economic intervention, can point to the primary causal forces at work in the creation of peripherality and strategies to overcome it. These can then inform an analysis of the interplay of both necessary and contingent variables in the particular contexts of Newfoundland and Northern Norway.

2.2 Classical Political Economy to Regional Science

Classical political economy was more concerned with the balance of trade between nation states than it was with sub-national regions (Jacobs, 1985, cited in Brox, 1987:69). To the extent that intra-national imbalance was discussed, the emphasis was sectoral rather than geographic. Explaining regional differentials in employment and wages in this tradition has often resulted in lists of regional deficiencies in various factors, with little explanation of their interrelations and underlying causes. A recent Canadian example was the MacDonald Royal Commission, which pointed to the quality and amount of capital employed, workers' ages and education, adoption of new technology, poor management, fewer and smaller urban centres and greater distance from markets - all to explain the source of regional disparities in income and employment. Not surprisingly, the Commission noted that it was 'extremely difficult to sort out cause and effect' (Canada, Royal Commission, 1985:203).

What has been described as 'modern bourgeois "regional science"' has, until recently, made the most persistent attempts to 'explain' the spatial outcomes of economic development. This has been dominated by efforts to make 'empirical statements about spatial regularities and build "value-free" spatial techniques' (Edel,et al.,1978:2). Alfred Weber's theory of industrial location, which emphasized the importance of transportation costs, labour costs and agglomeration forces, was the seminal work in this tradition (Weber, 1909, cited in Spilling, 1989:3-4). The notion of agglomeration forces - external economies gained through inter-firm linkages when numerous plants or factories were located in the same area - has continued to dominate much thinking on economic development, to a degree that can not be ignored. Indeed, Gregory and Urry suggest that Weber's model was linked to 'an historically-sensitive political economy', but subsequent work in the field failed to unite the social and geographic (1985:1-2) .

The primary social implication of the concentration on industry linkages that emerged from agglomeration theory was the economic advantages of urbanization.

When markets, labour and natural resources were factored into a production function for a single plant, areas of concentrated population offered the most cost-effective location for all but the most basic of primary processing activities (Weaver, 1985:284). As outlined by Walker:

> Spatial proximity lowers transport costs, and so broadens the number of buyers and sellers within easy reach; this in turn provides sufficient demand for economies of mass production, and provides minimum economic thresholds for specialized producers. Agglomeration also maximizes worker access to jobs and employer access to labour pools (1988:373,378,397).

In the 1950s, Myrdal and Perroux developed these concepts further, to explain the dynamics of centre-periphery relations. Myrdal identified the 'virtuous circle' of capital and labour in-migration to core regions dominated by urban agglomerations, complemented by the vicious circle of out-migration from stagnating peripheral regions (ibid.,397). A process of 'cumulative causation' was thus established, leading to persistent and increasing regional disparities (Hirschman, 1981:16).

Perroux applied Schumpeter's concept of entrepreneurial waves of innovation (1934), to a spatial conception of growth poles. He maintained that large 'propulsive industries', through linkages and multiplier effects, formed the basis of innovative industrial complexes (Linge, 1988:8-11). As will be seen in Chapter 3, Perroux's theories led to numerous policy initiatives by national governments in the 1960s and 1970s to reverse the vicious circle of peripheral out-migration, by designating centres in such regions as growth poles. Such policies offered the hope that a 'dose of "infrastructure" would create external economies and unleash the development potential of the country' (Alexander, 1983:5).

By relying on mobile capital to locate in such centres, however, such policies often failed to produce the desired linkages and propulsive forces in the local economy. Not only was this a product of economic relations at the level of the firm, but also a consequence of political dynamics. Perroux, in fact, conceived his growth poles as being autonomous economic phenomena, removed from the control of territorial units of government. As identified by Linge, Perroux was ahead of his time in

discerning the inability of nation states to greatly influence the location decisions of increasingly internationalised capital (1988:11). This development was to dominate the 'new regional geography' of the 1980s, but before turning to this, the application of these theories to international underdevelopment should be briefly considered.

2.3 Modernization versus Dependency: Development as Linkages

The centre-periphery terminology was first stated in relation to international underdevelopment in the late 1940s. At that time the executive secretary for the United Nations Economic Commission for Latin America disputed neo-classical theories of mutually beneficial comparative advantage, by arguing that terms of trade favoured the industrialised centre over peripheralised primary producers. Subsequent UN import substitution policies were premised on a conception of modernisation which saw urban industrialisation as the route to economic development (ibid.:2,8-9). Rostow's concept of economic 'takeoff' was employed to describe the point where underdeveloped nations established the momentum to follow the path to development taken by those with advanced industrial economies (Rostow, 1960; Hirschman, 1981:11).

The Latin American dependency school emerged in the late 1960s to challenge the notion that underdeveloped countries could simply follow in the path of their more advanced forerunners. Led by Andre Gunder Frank, the dependency school focused on exchange relationships, whereby underdevelopment was caused by developed nations' expropriation of economic surplus from satellite countries. Frank described the 'exploitative relation which in chain-like fashion extends the capitalist link between the capitalist world and national metropoles to the regional centres (part of whose surplus they appropriate), and from these to local centres' (cited in Sager, 1987:117-18).

Wallerstein's 'world systems' theory generalised uneven exchange relations to the level of a global system of capitalist exploitation, rather than a simple centre-periphery dichotomy. Both theories trace their roots to Marx's views on economic imperialism as a necessary component of capitalist development. Unlike Marx, though, dependency and world systems theory did not share the view that underdeveloped countries would follow capitalist countries 'on the industrial ladder' (cited in Hirschman, 1981:4-5). Rather, they viewed development in industrialised countries as the flip-side of the coin of underdevelopment. The 'development of underdevelopment' meant that global economic relations were a zero-sum game, with increasing disparities between rich and poor (Edel, et al., 1978:6-7; Linge, 1988:3).

The emergence of some forms of development in underdeveloped countries, particularly with the extension of production activities by multinational corporations (Frobel, Heinrichs and Dreye, 1980), has led to wide-ranging debate within the dependency literature. Cardosa put forward a model of 'associated-dependent development' to account for situations where dependency and development co-existed (Sager, 1987:118;122-23). Indeed, in Central Canada (1), direct American ownership of manufacturing plants from before the turn of the century - prompted by high tariff barriers - generated substantial levels of manufacturing, albeit under foreign control. This qualified success story is in fact referred to in Latin America as the Canadian import-substitution industrialization model (Clement, 1989).

The Canadian experience is more often typified by the dominance of primary resource production in all but Central Canada. As founded by Harold Innis, the 'staples school' of Canadian political economy set out to explain the 'unique historical antecedents' which characterised the nature of Canadian development (cited in Brodie, 1989:143). The 'forcefully original' staples thesis (Clement and

1 Usually taken to mean the most populous and economically developed region of the country, including southern Ontario and Quebec.

Williams, 1989:7), as will be seen, nevertheless provides theoretical explanations of development which are more generally applicable.

The staples thesis centred on the succession of resources - fish, fur, forest products, minerals, agriculture and energy - which were exploited by a series of imperial centres, Britain, France and later the United States, in return for the provision of material and technological goods to the colony's inhabitants. While each staple's trajectory was determined by external market forces, the character of the staple determined the necessary techniques of its exploitation: capital structure, types of labour required, transportation, and production methods. Consequently, the nature of development varied within the colony depending on the staple located there, but all regions had in common the accruing of the principal benefits of development 'to the centre nations at the expense of marginal ones' (Clement, 1989:37).

The staples thesis explained how external control of the pace of resource exploitation meant that the beneficial 'linkages' associated with economic development were not captured by the colony, but rather, were exported to the imperial centre (ibid.). Watkins developed this further, noting that staple production had potential 'spread effects' or linkages to other sectors at home or abroad. Forward linkages consist of further processing or manufacturing of the staple; backward linkages - producing inputs for use in staple exploitation - consist of both infrastructure linkages (transportation networks and the like) and capital goods linkages (machinery used to harvest or extract the staple); and lastly, final demand linkages - disposition of incomes generated by staple exploitation - entail consumption linkages in spending on consumer goods, as well as fiscal linkage, the appropriation by the state of economic rent or surplus generated in the resource sector - 'over and above all costs, including a normal return to capital - and its disposition'. The greater the leakage into imports, the less growth locally around the export base. (Watkins,1989:18,20-21).

Not unlike the view of dependency theory, as long as the majority of linkages were captured by the imperial centre, the colony was stuck in what Innis described as the 'staples trap': an unending reliance on resource extraction with consequent underdevelopment (Clement, 1989:37-38). The emphasis on linkages, though, also provides an explanatory framework for development where it occurs. But Innis' work accounts for the Canadian experience best prior to the country's attainment of political independence. Once national development policies were implemented, additional causal forces were at work.

The origins of national development policy in Canada in 1867 introduced an entirely new dynamic in the nation's development trajectory. In contrast to the staples school, the Canadian 'metropolitan-hinterland school' sought to explain how western Canada was created as an 'internal colony' of central Canada. The 'National Policy' was an overarching state developmental strategy articulated by Canada's first Prime Minister, Sir John A. Macdonald, which formed the basis for the transformation of the British North American colonies into a political and economic unit. Metropolitan policies confined the hinterland to producing staples and purchasing manufactured goods from the heartland. Transportation facilities were established to link the hinterland and heartland, immigration was encouraged to settle the west and a tariff barrier was established to protect central Canadian manufacturers. In contrast to Innis's emphasis on staples, state policy became the crucial explanatory variable in the creation of uneven regional development (Brodie, 1989:146-50).

In Norway, a history of foreign domination led to popular resistance to external economic exploitation. A class base dominated by petty commodity producers also led to a coolness to 'the commercial spirit' and industrialisation. Brox has argued that where access to natural resources was not monopolized, as in the Norwegian fishery and agricultural sectors, primary industry gave 'participants larger returns to labour than proletarian participation in industry and services' (1987:72). A strong liberal state thus evolved which placed controls on imported technology and

capital and access to natural resources (Esping-Andersen, 1985; Bergh,et al., 1980). Norway's brand of 'egalitarian capitalism', as will be seen, has nevertheless failed to solve the problem of regional disparities, for both institutional and economic reasons.

Theories designed to explain global economic dynamics are unable to account for the range of intra-national political and social structures which effect the evolution of regional disparities within individual countries. As cautioned by Massey, while cross-fertilization between intra- and international theories of underdevelopment has been common, theories developed to explain spatial differentiation at one level cannot be simply transplanted to others: 'The relations between nation states within world imperialism are not to be equated with "interregional relations" within a nation' (1978:109-10).

International economic forces nevertheless have crucial influences on the opportunities and constraints facing national actors and institutions. Some economic forces, such as the contribution of production linkages to economic development, relate equally to national and global development efforts, although they must be qualified by their combination with other forces at work in varying national and regional contexts.

Hirschman, writing from within the mainstream of development economics, extended the work of Myrdal and Perroux to the global level, by building on Innis' staples thesis. In his 'generalised linkage approach', Hirschman focused on the production linkages established in underdeveloped countries around export-led growth. 'A linkage exists', Hirschman maintained, 'whenever an ongoing activity gives rise to economic or other pressures that lead to the taking up of a new activity'. He made a distinction between 'inside' and 'outside' linkages, with the former consisting of new activities taken up by people involved in the original activity, while the latter were exploited by outsiders. He noted that the less

technologically sophisticated a new activity was, the greater chance for it to be captured by insiders.

Hirschman contended that this approach was compatible with Frankian dependency theory in accounting for the failure of some areas to develop, but that it also provided a means to explain development where it occurred. Indeed, Hirschman saw the concept of linkages as defining development:

> development is essentially the record of how one thing leads to another, and the linkages are that record, from a specific point of view. They focus on certain characteristics inherent in the productive activities already in process at a certain time. These ongoing activities, because of their characteristics, push or, more modestly, invite some operators to take up new activities. Whenever that is the case, a linkage exists between the ongoing and the new activities (1981:59-97).

A 'generalised linkage approach' also provides for state intervention to enhance opportunities to capture inside linkages. Hirschman adopted the terminology of 'public goods' to describe how the state in underdeveloped countries, where it 'has the will and ability', could assist those involved in primary production to extend their activities. Outlining a principle that will be developed in more detail below, he noted that this was most feasible in the provision of services required by producers which they find 'difficult or impossible to supply individually or even co-operatively'. Such public or semipublic goods, 'that must be supplied by the state if they are to be supplied at all', could range from 'power, transportation, and irrigation to education and public health' (ibid.:79-80).

For an underdeveloped country, general provision of infrastructure is no doubt a prerequisite for development, but it is at this point that a more fine-grained approach to public intervention in generating linkages is required to understand development prospects in peripheral regions of industrialised countries. The significance of the intra-regional organisation of production has implications for both economic strategy and institutional concerns. A conception of development as linkages, however, requires further specification of how they are manifested spatially and on the level of the firm. A conceptualisation of industrial districts can advance this specification.

2.4 The Decline and Rise of Industrial Districts

2.4.1 The Industrial District as Matrix of Production

A decade after Alfred Weber expounded his theory of industrial location, the English economist Alfred Marshall examined the basis of Britain's relative decline in industrial dominance after World War I. Marshall noted that the emerging industrial giants in the United States and Germany were attracting capital and developing new products and processes faster than British industry (Marshall, 1927:3-4, [first published in 1919]).

The previous dominance of Britain, he explained, was largely attributable to 'those great industrial districts' of 'concentrated specialization', where the matrix of production was the area rather than an individual firm. The cutlery industry of Sheffield, guns and hardware in Birmingham and textiles in Lancashire, typified the 'localization of industry' that fuelled the emergence of Britain as the workshop of the world. Marshall introduced the concepts of internal economies, to describe those advantages to production which could be attained within individual 'industrial houses of business', and external economies, those which depended on 'the general development of the industry' (ibid.:26,286; Bellandi, 1989:136-38; Sabel, 1989:17).

Analogous to Weber's agglomeration economies, Marshall saw the cumulative advantages to be gained from spatial proximity. Not only were savings to be made in transportation costs, but economies of scale could be gained wherever the production process was decomposable and firms could specialise in a specific component. Even where firms were involved in the same stage of production or final product they benefited from the diffusion of knowledge and concentration of skilled labour. An 'industrial atmosphere' was created in which specialised skills were passed from generation to generation, and which firms would be reluctant to leave (Bellandi, 1989:138-43; Marshall, 1927:284).

While such advantages were associated with urbanisation, Marshall identified a tendency for new factories which required more space to locate on 'the outskirts of the city' and 'increasingly in surrounding rural districts and small towns'. Indeed, as mechanisation and standardisation proceeded, Marshall observed that external economies were being replaced by increasing internalisation of production within large firms. The former reduced the skill levels required while the latter reduced the advantages of proximity in acquiring inputs to production. Only the emerging giant businesses could raise the necessary capital for new technologies, and only they could afford the concentrated scientific effort required to improve the new processes (Marshall, 1927:285,577,593,599; Bellandi, 1989: 144-46).

Increasing internal economies of scale within large plants did not diminish the tendency for various industries to concentrate on a regional level, however. The fact that Detroit was home to the paradigmatic mass-production car industry was indicative of the continuing advantages of spatial proximity. Giant factories required giant workforces, and competing firms could gain mutual benefit by tapping the same industrial labour force, even if skill levels were dropping. In the 1950s and 1960s, textiles still dominated the North West in Britain, shipbuilding the North, clothing and footwear the East Midlands, and vehicles and engineering the West Midlands (Walker, 1988:378,387; Amin and Robins, 1990:17; Allen, 1988a:187).

2.4.2 The Rise of the Multinational and Spatial Mobility of Production

By the 1970s, however, a new 'spatial division of labour' was emerging (Massey, 1984) as large, increasingly multinational, corporations located different stages of the production process in different regions and even different countries (Frobel, Heinrichs and Dreye, 1980). The traditional factors attributed by Weberian location theory no longer seemed to have much influence on the outcomes of corporate decision-making (Walker, 1988:378). Nowhere was this more apparent than in Britain, where industrial decline combined with restructuring, and a new

regional geography emerged which attempted to look beyond the empiricism of regional science to consider the underlying causal forces which generated measurable locational changes (Massey, 1988a:66-67).

While some pointed to agglomeration diseconomies, as the earlier advantages of urbanization were reversed due to the high cost of land and premises and problems caused by ageing urban infrastructure and congestion (Keeble,1980), the 'restructuring school' focused on the changing requirements of production. Massey and Meegan looked at how differing aspects of production combined with the specificities of differing locations to influence the location decisions of firms. Some labour-intensive aspects of production, which, with increasing mechanisation required little skill, were relocated to peripheral regions of industrialised countries with low-wage, non-unionised workers. More technically complex processes remained where skilled workers could be found, while research and development and financial and accounting functions could be located in company headquarters in areas with access to specialized professional services. No one strategy could be associated with a specific form of geographic characteristic, however, as firms adapted strategies to the existing production and location characteristics they faced: it was the interconnection of production and geography that produced specific outcomes (Massey, 1988a:63-65; Massey and Meegan, 1985:119-23).

The contextual approach of the restructuring school was only one of a range of explanations generated during this period to explain the changes occurring in production. Lash and Urry presented a broad periodisation of capitalist development, based on the experience of several industrialised countries, to explain the transformation from 'organized' to 'disorganized' capitalism. The former consisted of distinct regional economies based on urban agglomerations, which enjoyed economic dominance over peripheral regions and nations. By the 1960s, though, spatial deconcentration of production led to the disorganized phase of capitalist development, as large firms moved production to the periphery, both

within and between countries. For Lash and Urry, this spatial disorganization was a conscious strategy by business to maximise profits (1987).

The French regulation school took a similar periodisation to denote the change from Fordism to neo-Fordism, but their analysis accounts for national variations in social and economic policies and institutions ('the mode of regulation') which are established to stabilise the dominant forms of production and consumption ('the regime of accumulation'). The regulation 'school', however, presents divergent views on the centrality of national as opposed to international forces, and on production versus social forces. The root of these differences is largely epistemological: while Aglietta stresses 'general laws which are socially determinate' (1979:15, cited in Meegan, 1988:146), Lipietz condemns 'pessimistic functionalism' which diminishes the influence of human agency as systems 'unfold' (Hyman, 1991:13-17). An even less deterministic school of thought was generated by Piore and Sabel's Second Industrial Divide, which coined the term 'flexible specialisation' to describe the new organisation of production possible if appropriate institutions were established (1984:6-7).

Despite the variety of perspectives within and between these various schools of thought, there are central areas of agreement. Foremost among these is that the centralisation and concentration of production, epitomized by the automotive assembly lines pioneered by Henry Ford, is no longer complemented by a mode of regulation capable of stabilising the dynamics of accumulation and sustaining the equilibrium between production, consumption and investment. The welfare state and corporatist consensus between labour and management which supported the productivity gains of the post-war period started to break down in the 1970s. Neo-conservative governments sought to overcome the fiscal crisis of the state by abandoning their previous commitment to full employment and social supports, and industry increasingly adopted new flexible production technologies which enabled small batch production to replace concentrated mass production. By decentralising

production firms could avoid concentrations of organised labour and relocate to peripheral locations (Harris, 1988:32-34; Sabel,1989:20-21).

Besides divisions on the underlying causal forces at work in these changes, however, there are widespread debates on the supposed fracturing or breakdown of mass markets, the nature of the new flexible production technologies, the possibilities for small and medium sized firms to operate competitively in the new environment, and the locational implications of these changes. As will be seen, much of the debate has been driven by differing ideological assumptions regarding the nature of production, but there is also substantial room to question the generality of what are still emerging trends. For peripheral regions these trends could spell a new form of external exploitation, or - if the possibility for effective human agency is accepted - a chance to capture production linkages beyond simple resource extraction. First, though, the emphasis of this literature on the role of manufacturing, in a period when others have identified the emergence of post-industrial society, must be briefly considered.

2.4.3 The Structural Importance of Manufacturing

Hyman has noted that efforts to understand economic change which treat the manufacturing sector 'as the paradigm of the economy as a whole', ignore the fact that in most advanced economies this constitutes 'a declining minority of employment' (1991:8). For some commentators, the rise of the service sector marks a positive transition to the 'post-industrial economy', where white-collar professional occupations use knowledge and information to direct innovation and change (Bell,1980, cited in Allen, 1988b:105-6). As Hyman observes, however, many service sector jobs are low paid, part-time or temporary, creating a 'two-thirds, one-third society' in which an impoverished minority service the consumption of the majority (1991:8). When higher paid professional service jobs are concentrated in regions where corporate head offices locate, moreover,

differences in service employment reinforce regional disparities (Allen, 1988b:124-34).

As noted by Walker, though, distinguishing between service and manufacturing employment is becoming increasingly arbitrary. Many jobs, such as cleaning, catering and accounting, when done within a manufacturing firm, would be classified as manufacturing employment, but they are called service jobs when they are performed by subcontractors. Similarly, producer services, which often conform to the model of post-industrial information workers, are nevertheless crucial to and dependent on the production they service (1988:381). These intermediate inputs in the production process can be seen as a further contribution to production, just like raw materials, labour and other factors of production (Sjoholt, 1989:2).

This points to the structural importance of manufacturing in an economy. Even if total employment in manufacturing is declining, it still acts as a propulsive industry, creating multipliers which drive linkages for inputs and further production and services. Central to this role is the importance of 'tradeables': goods which can be sold outside a region or country to generate new wealth for the area. Non-tradeables, primarily personal services, locate according to settlement patterns and are essentially protected from outside competition (although they can be owned by outside interests). If a firm producing non-tradeables shuts down, other local firms will benefit; if a firm producing tradeables shuts down, demand can be met by outside production, leading to an absolute decline in production in the region. (Best, 1989:194-95; Monnesland, 1989:90; Jacobs, 1985, cited in Brox, 1987).

Once again, the distinction between manufacturing and services can be misleading in this regard. Some producer services can be exported, while tourism is a service industry that brings new money into a region, as exports do. The existence of producer services in a region can also take on a propulsive role, as they make it

possible for producers dependent on a specific service to locate in an area. If the ability of an industry to generate linkages is considered, however, services are more likely to follow manufacturing. This is revealed by the fact that most producer services are located close to production facilities, often having started as spin-offs from larger firms. The role of small service and manufacturing firms in regional production systems will be dealt with below, but it is clear that emphasis on manufacturing is justified, even in the context of its decreasing contribution to direct employment (Massey, 1988b; Sjoholt, 1989; Monnesland, 1989).

2.4.4 Market Saturation and Fragmentation

The contention by those in the flexible specialisation school that saturation of mass markets is a key component of the decline of Fordism has been the subject of persistent attack. Piore and Sabel (1984) maintained that the rapid post-war expansion of manufacturing capacity required a comparative expansion in consumer markets. As households acquired the new standardised consumer durables, however, markets became saturated. Meanwhile, new flexible technologies enabled small batch production of specialised goods to meet niche markets that were too restricted for mass production to handle efficiently. Economies of scale had been displaced as the central dynamic of competition.

Nolan and O'Donnell have suggested that there is little or no evidence that the needs of low income groups for standardised consumer products have been met, and Williams, et al., have argued that there is still substantial replacement demand for existing products, in addition to the introduction of new standardised products (Nolan and O'Donnell, 1987; Williams, et al., 1987). These critiques are countered by the fact that rising unemployment and cut-backs in social spending limit satisfaction of low income demand, and the shift of much mass production of standardised goods to NICs (newly industrialised countries) limits production

possibilities in industrialised countries (Lipietz, 1987, cited in Meegan, 1988:174-75).

O'Donnell and Nolan also argued that catering to niche markets was a recipe for 'tremendous planning problems, insecurity and uncertainty', as highly customised products tended to have very short life spans (1989:17). While there will be losers as well as winners in a competitive capitalist economy (Hyman, 1988:52-53), the vulnerability of catering to niche markets is the basis for flexibility in the first place. Flexible specialisation in this view is an adaptation to market pressures, not a purposive change in strategy. Which firms or regions will adapt successfully, though, is contingent on the implementation of various institutional supports (discussed in Section 2.5.) (Sabel, 1989:19-20,43-44). For peripheral regions, accustomed to the instability and insecurity of dependence on international resource exports, dependence on niche markets would at least bring greater diversification around the resource base.

Finally, not all market niches are unstable. Some markets have always been small and specialised (Hyman, 1991:7), and the fact that large firms are sub-contracting more elements of the production process, as well as services, creates 'task niches' for smaller firms. 'Most small firms', Walker notes, 'survive by doing things large companies do not want to do or cannot be bothered with'. These include 'serving local labour markets, making highly specialised products and exploiting marginal labour forces' (1988:393). The form such exploitation takes under the emerging re-organization of production is, of course, crucial in determining the potential for progressive development policy.

2.4.5 Flexibility in Whose Interests?

According to Piore and Sabel, new technologies and the need for constant innovation to keep up with shifting market niches not only enabled small batch production to displace mass-production assembly lines, but also required the

reintegration of conception and execution. The advent of de-skilling and the fragmentation of work, articulated by Braverman (1974), that had been crucial to the rise of factory production, were being reversed by these changes. 'It is tempting', they suggested, to conclude that:

> technology has ended the dominion of specialised machines over un- and semiskilled workers, and redirected progress down the path of craft production. The advent of the computer restores human control over the production process; machinery is again subordinated to the operator (1984:3-4,258-61).

The evidence for such optimistic conclusions is largely absent. Most observers have identified increasing segmentation of the labour force, as a core of workers may benefit where increased reliance on skill is necessary, but many more will enter the part-time or temporary, low paid periphery, often in small sub-contracting firms (Gough, 1986:68; Nolan and O'Donnell, 1987:260; Hyman, 1988:53-55; Pollert, 1988:47-57). Where employees were dispersed in small firms, unionisation was difficult, and a return to sweating was possible (Scott, 1988:175-77; Gough, 1986:68; Spilling, 1985:45).

Based on the Japanese experience and studies of large American firms using new computerised production technologies, others argue that even for core workers gains were ambiguous. While managers 'clearly recognize the need to change the production mix or retool rapidly in uncertain markets' - supporting the neo-Fordist thesis of fragmenting markets - computers were applied in a way which centralizes control of production and reduces worker autonomy (Murray, 1985:30; Shaiken et al., 1986:167-68).

These findings must be qualified by the fact that public welfare supports, minimum wage laws and health and safety regulations vary markedly from country to country, making the working conditions of peripheral labour highly contextual (Spilling, 1985:45). Shaiken et al., also acknowledged that it was difficult to generalise from a small sample of case studies. Further research could discover 'greater variation in the way firms deploy programmable technology in other

countries, for example, or in nonunion firms with a tradition of good labour relations' (1986:180-81).

Similarly, Hyman notes that 'the impact of advanced technology on work organisation is complex, and conditioned by multiple mediations'. Where there was a tradition of institutionalised co-operation, 'successful' job redesign schemes were possible, where both capital and labour could derive benefits as well as sharing costs. In a manner not unlike Piore and Sabel's assertions (1984:261-64,307), Hyman does not rule out the possibility for 'an effective trade union response to flexible specialisation', if the immediate implications for work relations within the enterprise could be transcended. Flexible specialisation, on this view, was a contested concept, which could constitute a 'humane development' if macroeconomic and macrosocial considerations were placed on the agenda (1988:55-58; 1991:11-13).

2.4.6 Flexibility under Whose Control?

The impact of flexible specialisation on organisational structures has been just as contentious as its implications for workers. Sabel argued that for firms to achieve the flexibility necessary to adapt to changing market conditions, not only were flexible technologies necessary, but so was specialisation: 'In order to shift rapidly from product to product within one area of the economy, it is necessary to focus on that area to the neglect of all others'. Examples of large firms in Germany, Italy and Japan who decentralised their operations to semi-autonomous units, as well as increasing sub-contracting arrangements with legally independent small and medium sized firms (SMEs), were cited as proof of this (1989:53).

Cooke has described this process as 'flexible integration', as normal market transactions between firms were transcended by collaborative, strategic alliances in pre-competitive stages of product innovation (1988:297-98). Walker saw sub-contracting as a 'supple compromise between open market transactions and

internalization within a single firm'. While technical limitations prevented some production processes from being sub-divided, such as continuous flow processes in the chemicals industry, there was no inherent reason why others had to be centralized within large factories. Economies of scale were only achieved 'in cases of technically unitary equipment that yield increasing returns proportional to physical size and scale of operation'. More widespread were 'economies of scope', which provided efficiencies in operating 'potentially divisible labour processes and machinery' in tandem. The latter depended more on flexibility than scale (1988:382,390).

With the rise of flexible specialization, economies of scale had given way to economies of scope. This is a complex relationship, however, as economies of scope could be internalised within the firm by using computerised equipment capable of performing several tasks. When economies of scope were externalized, by fragmenting the production process and subcontracting specialised tasks to individual firms, economies of scale could simultaneously be gained as each firm achieved higher production volumes of their specific component. Consequently, according to Cooke, 'A system of small firms operating in this way can be competitive with the large vertically integrated producer' (1988:290).

Indeed, Walker notes that the average size of manufacturing workplaces has been shrinking in the face of these changes. But he also acknowledged that plant size was not the same as firm size, and diversified corporations depended less on production-economies than on 'financial and proprietary advantages'. Large firms, which can encompass large and small workplaces within their control, are better able to raise capital, ride out bad times, stabilise profits by averaging them out over diversified investments and move investment to new areas. They can afford more extensive and long-term research and development activities and maintain marketing divisions to generate sales internationally. While they do not have higher average profit rates than small firms, they are more stable, increasing their survival rates (Walker, 1988:386,391-92).

The tendency for the flexible specialization school to downplay the significance of corporate power has been subjected to repeated criticism (Amin and Robins, 1990; Hyman, 1991; O'Donnell and Nolan, 1989). Citing Chandler's work on the rise of the modern corporation (1977), O'Donnell and Nolan noted that firms got larger 'to establish the conditions for high product throughput by internalising the supply of key inputs and thereby minimising the uncertainty of the market place'. Technical imperatives of economies of scale were, on this view, a product of the competitive process, emerging from capital centralisation and concentration, not driving it (1989:8-9). (2)

The fact that many large corporations were divesting divisions and entering a range of strategic alliances and joint ventures throughout the 1980s, however, indicates that vertical integration is not the only corporate strategy available (Cooke, 1988; Walker, 1988; Sabel, 1989). O'Donnell and Nolan posit that there is 'no compelling theoretical reason why a reinvigorated corporate capitalism should not re-emerge from the extended crisis which began in the late 1960s' (1989:7). Perhaps more likely is a continued divergence of corporate strategies, contingent on differing national contexts and company goals.

Whether recent changes constitute a new epoch or regime of accumulation - post- or neo-Fordism? - remains to be seen. Any historical periodisation must be sensitive to the significance of both flux and stability, and to how they relate. As managements and governments respond to the multiple sources of disjuncture in the current period, moreover, their choices are 'conditioned by institutions and

2 The strategic recommendations of two senior management consultants with Philips International support this view. Confirming the existence of fragmenting markets, with increasing demand for customized, quality products, they suggest that large corporations such as theirs were well suited to internalising new flexible technologies and production processes to satisfy shifting market niches. They note that returns on investment could be maximized by divesting production units in favour of sub-contracting, but for the firm striving for 'world market leadership', vertical integration which captured profits internally were necessary for the 'enormous R&D investment' required (Kumpe and Bolwijn, 1988:76-81).

traditions which vary according to national context' (Hyman, 1991:2,22-23). For Nolan and O'Donnell, writing from the perspective of the British experience - where they admit multinationals have 'an extraordinarily strong presence' (1991:10) - it is not surprising that corporate power seems overwhelming. As will be seen, there are other facets of the British experience that make it perhaps the last place to look for inter-firm networks.

2.4.7 Regional Production Systems: The Re-emergence of the Industrial District?

As has been seen, the geographical outcome of Fordism was the formation of the 'great industrial regions' of North America and Western Europe. As described by Scott, these were the 'locational foci of propulsive industrial sectors driving forward, through intricate input-output connections, dense systems of upstream producers'. As selected labour processes were de-skilled, and transportation and communications systems reduced the friction of space, giant corporations became multinationals and branch plants could access cheaper labour in intra- and international peripheries (Scott:1988:173; Sayer, 1985:52-53). The subsequent international division of labour was seen to have undermined the significance of 'place' as an organising principle for production; a view held by some to continue to undermine the present feasibility of regional production systems and flexible specialisation (Amin and Robins, 1990:22-23).

Massey was one of the prime proponents of an emphasis on corporate strategies in determining industrial location in the 1970s and early 1980s. She has since acknowledged that the rapid decline of the inner cities at the time and the subsequent political significance of determining the cause, led to an underestimation of geography. Current and future work in economic geography would therefore have to recognize that distance, local variation and uniqueness matter (1985:12).

Indeed, Walker argues that 'far too much has been attributed to the corporation per se in terms of the determination of spatial outcomes'. He notes how even the

largest corporations can be 'captive to the fate of industrialization in particular places'. Industries 'emerge from different locales', he contends, and '"territorial complexes" of industry stand on their own as modes of organisation', along with the workplace and the firm. He cites Myrdal, Perroux, and Hirschman as having developed the agglomeration theories of Weber most in attempting to understand 'the complex interaction between different parts of the industrial system'. Their focus on cities and regions had paid insufficient attention to 'the specificities of the plant, industry, and firm', while the inter-relation of each form of organisation needed to be accounted for to understand the geography of industry (1988:394-402).

Scott maintains that the emerging regime of accumulation is leading to the formation of 'new spaces of flexible accumulation', which form in response to the requirements of production. Reversing the tendencies identified by Marshall in the demise of the industrial district, internal economies were giving way 'before a progressive externalization of the structure of production under conditions of rising flexibility, and it leads at once to a revival of proclivities to locational convergence and reagglomeration'. In response to increased market uncertainty, and using new flexible production technologies, firms formed 'rapidly shifting coalitions' of 'increasingly specialised service and input suppliers' (1988:175-76).

Greater dependence on external links increases some costs, however, such as 'transport, communication, information exchange, search, scanning and so forth'. Consequently, 'The greater the spatial dispersion of producers, the more onerous these costs will be', with the immediate result that 'selected sets of producers with particularly elevated intragroup interaction costs will tend to converge around their own geographical centre of gravity and thus to engender definite nodes of economic activity on the landscape'. The installation of just-in-time delivery systems placed even greater emphasis on spatial proximity (ibid.:176-77).

The establishment of this new 'structured coherence' (Harvey, 1985), significantly, has not favoured the regions most clearly identified with the dominant Fordist core. Rather, Scott contends that the high levels of unionization in such regions, with 'stubborn rigidities in both the workplace and the local labour market', constituted 'hostile milieux' for the flexible production and organizational forms. Instead, the former peripheral or semi-peripheral zones, previously based on agriculture, trade and small-scale industry - as well as the occasional branch plant - which bordered the regions of Fordist mass production, are the favoured locations for new spaces of flexible production. With relatively recent urban settlement, these areas are now developing their own agglomeration advantages, making it increasingly difficult for firms to re-locate (ibid.:178-79).

The areas identified by Scott are essentially the same as those described as industrial districts by proponents of flexible specialisation. Piore and Sabel maintained that the interdependencies of individual firms enabled the combination of co-operation and competition. As will be seen, particularly in the paradigmatic case of the Third Italy, local government institutions played a crucial role in facilitating this mutual dependence. But like Scott, they point to the role of volatile markets and new technologies in undermining the previous regime of accumulation with its mobile corporations and 'encouraged the reconsolidation of the region as an integrated unit of production' (Piore and Sabel, 1984:5; Sabel, 1989:18).

2.4.7.1 The Third Italy

Consistent with Scott's description of the favoured areas of new flexible production spaces, the Third Italy was on the periphery of Italian industrialization. As large scale industrial firms in the north and west of the country - the developed 'First Italy' - encountered economic problems in the face of economic recession and labour conflict in the late 1960s and throughout the 1970s, production was increasingly decentralized to small and medium sized firms in areas with little

industrial tradition. While these firms started in dependent relationships with the parent companies, even using equipment supplied by them, they gradually developed additional markets (Piore and Sabel, 1984:226; Sabel, 1989:24; Brusco, 1986; Amin, 1989:112,116).

In most cases these markets were with other firms in the area, which were linked in a network of sub-contracting relationships with each other. The growth of small firms had increased in the 1970s as Italy's large corporations in the north, such as Fiat, shed workers. Many of these skilled workers returned to their home communities in the periphery to start their own small businesses. Small firm growth in the Third Italy was further enhanced by traditions of small family-owned farms, which inculcated experience in marketing and exchange, as well as petty bourgeois independence. Between 1951 and 1971, agriculture was replaced by manufacturing as the principal source of employment in the Third Italy, and when Italy enjoyed the fastest growing European economy in the 1980s, it led the rest of the country in the rate of increase in production (Goodman, 1989; Amin, 1989; Brusco, 1986).

Contrary to the views of some British critics, however, who emphasized the initial large firm sub-contracting to escape unions and to access low-wage workers (Murray, 1987), Perulli has recently noted that unionisation rates have grown for the small firms of the Third Italy, while they have dropped for the country as a whole (1990). Amin has identified low wage districts of artisans in southern Italy, and continuing dependent sub-contractors in the north - following a typology set out by Brusco and Sabel (cited in Brusco, 1986) - but he contends that the small firms in the industrial districts of the Third Italy do not derive their competitiveness from low wages (1989:112-13).

While pointing to the benefits of an undervalued lira throughout the 1970s, Amin and Robbins point to other factors - more consistent with Marshall's conception of industrial districts than with flexible specialisation - that have contributed to the

competitive success of these small manufacturing firms. These consist of three broad conditions:

> the clustering and renewal of small firms specialising in the different phases of a particular industry ('a system of interacting parts'); a social structure characterised by a high level of small entrepreneurs, artisans, skilled workers, working wives, and extended family or youth labour; and proximity between home and work in the labour market (1990:11).

Amin has noted that few of the industrial districts incorporate the highly skilled workforces and computerized production methods identified by proponents of flexible specialisation. In areas dominated by engineering firms, Piore and Sabel's descriptions were largely accurate, but most firms were involved in low value added and traditional sectors such as fashionwear (textiles, clothing, shoes and leather goods) and wooden furniture. These goods were produced for 'medium-to-high quality' market niches in international markets, nevertheless, with flexible, short production runs catering to 'non-standardized goods' (1989:114-15).

The fact that much of this production is not high tech, enhances the opportunities for effective product development and process innovation. The dense network of inter-firm linkages in these areas enables tradesmen to share ideas and solve problems on a daily basis. Contrary to the conception of R&D requiring industrial laboratories funded by giant corporations, this view suggests that technical advance can be the product of 'accumulation of small improvements, experience and learning activity'. Russo's study of the transformation of ceramic tile production in the Third Italy accords with this view, as workers in the companies that provided the machines used by the tile producers introduced innovations which improved the performance of the industry as a whole (1989). Consistent with Marshall's notion of an 'industrial atmosphere', local specialisation in specific industries also promotes the development of intangible skills passed from generation to generation (Goodman, 1989:21). High tech innovations in such areas as micro-electronics, as predicted by Hirschman, are harder for 'insiders' to capture, leading to efforts to establish links with outside corporations or set up public 'innovation centres' (Perulli, 1990:350).

Independent specialised producers in rural areas are also linked through 'strategic entrepreneurs' in the provincial towns. They are the bridge between production and distribution (Brusco, 1986:196; Amin, 1989:119). The advantages of internalization can thus be gained through integrated organisations which unite individual firms across the six functions of a business system; from technology and design, though production, to distribution, marketing and sales (Best, 1989:201). The creation of industrial groups or consortia also enables independent small firms to join forces to secure cheap credit, buy raw materials and bid on public projects (Sabel, 1989:25). This 'corporation without a roof' allows costs and risks to be spread out amongst the members of in interdependent, spatially defined system (Amin, 1989:116-19); achieving concentration without centralisation (Perulli, 1990:338).

Some local labour market areas, finally, encompass several industrial districts, as defined by product or sector. Such diversification diminishes the regional impacts of downturns in specific industries. Amin suggests that the rural location of many of the small firms also provides a labour market cushion where specialisation is regionally concentrated. Most families still maintain some connection to agriculture, so employees - often family members - can work flexible hours and cope with fluctuations in demand because of 'income derived from other interests'. He suggests that this 'unique social structure' is especially conducive to small firm development, but cautions that it 'cannot be reproduced elsewhere' (1989:118).

Perhaps from the perspective of Britain's declining urban agglomerations such conditions appear unique, but as will be seen, occupational pluralism and the informal economy continue to typify many peripheral regions of industrialized countries. Some British commentators seem to be at pains to foresee the demise of these new industrial districts, predicting renewed competition from the traditional heartland of the north and west, or seeing the growing role of groups of enterprises leading to renewed vertical integration (Amin and Robbins, 1990:12-13; Murray, 1987; O'Donnell and Nolan, 1989). As noted by Perulli, for the Third Italy at least,

> industrial districts are not short-term experiments, like an organizational innovation or a fashion; they are rather the product of long-lasting historical processes producing a peculiar labour culture and climate and a distinctive set of social and productive relations (1990:349).

2.4.7.2 Scandinavian Local Production Systems

Several peripheral regions in Sweden, Denmark and Norway - themselves often considered peripheral countries relative to Western Europe - have also been identified as demonstrating the potential for networks of flexible, specialised firms. Spilling has compared the Scandinavian concept of 'local production systems' to theories on industrial districts and agglomeration forces. He explains that this places 'emphasis on groups and systems of firms rather than individual firms'. Competitiveness and performance of individual firms are still important, but the performance of the productive system as a whole is crucial to understanding industrial development. A variety of specialised firms concentrated in a specific region benefit from new production and marketing possibilities, information linkages and numerous potential customers and collaborators (1985:8).

The Sunnemore region of Western Norway was identified by Spilling as having developed a flourishing wooden furniture industry, despite few raw materials, distant markets and high transportation costs. In one municipality, a 'diversified production system' had emerged, as larger manufacturers had linkages with local subcontractors who specialised in components of the finished product, machines used in their manufacture and the packaging used for shipping. He contrasted this municipality with one in Central Norway that was suffering out-migration, despite having the same number of manufacturing firms. The difference, according to Spilling, was that the latter was dominated by large firms operating in different industries, which did not lead to the same linkages to specialised SMEs (1985:23-24).

The Sunnemore SMEs also benefited from the formation of several joint ventures between local firms to pool resources in purchasing raw materials, gaining technical information, conducting R&D, and co-operating in joint marketing. Spilling maintained that Sunnemore's success was reinforced by 'social networks', in addition to structural linkages. Unlike less developed regions, numerous business clubs and other social organisations operated, providing business people with 'a creative and viable social environment where ideas, motivations and perspectives on future business opportunities may be exchanged and developed'(3). Finally, as in the Third Italy, the entrepreneurial character of Sunnemore residents is attributed to the 'self-reliant way of life' of its early 'independent small farmers and fishermen', whereas Central Norway had been dominated by employment on large farms and in forestry. Certainly unlike Italy, the strong protestant faith of Sunnemore residents is also seen to have provided a reinforcing work ethic (ibid.: 10-11,22-23,26-27).

Kristensen maintains that industrial districts emerged in the West Jutland region of Denmark long before the recent crisis of Fordism. SMEs based in small railway towns have provided manufactured goods to neighbouring agricultural regions for decades. Like the Third Italy, the economic success of Jutland has only taken off since the 1970s, while large-scale, mass production industries in the country's industrial heartland went into decline. Contrary to 'all traditional theoretical expectations', the peripheral West Jutland region experienced growth of new firms and industrial employment, reversing years of out-migration (Kristensen, 1990a:167; Kristensen, 1990b:7).

One such industrial district, specialising in knitwear, consists of three adjacent railway towns with less than 5,000 people each, another which produces wooden

3 This emphasis on social networks in the Scandinavian literature is derived largely from the work of Granovetter, who argued that information and new ideas travel faster through informal 'weak ties', than through strong ties between close personal and professional associates (Granovetter, 1973; Christensen, et al., 1990:26-27).

furniture, is made up of clusters of small towns ranging in size from 1,000 to 1,500 people. These sparsely populated areas include production of high quality, design oriented products for export markets, requiring the maintenance of craft skills; decentralised structures of small, specialised firms, 'allowing the small producers to take advantage of new technologies and achieve economies of scale'; and the persistence of close family ties, with 'the development of a genealogical tree where craft and family relations became interwoven into 70 years of business history' (Kristensen, 1990b:22-28).

Kristensen maintains that the 'yeoman inheritance' of 'independent, self-employed farmers or craftsman' created a proclivity to small business formation in the region, and as employment in agriculture declined, young people entered the network of national craft educational schools spread throughout the country. Mechanical trades developed to service agricultural machinery (4), and knitwear and furniture production began as an additional form of income 'to compensate for seasonal or economic cycles and to stabilise incomes and employment within the very small and narrow labour market of a town of this size' (ibid.: 13,28,31).

Because of their small size, seasonal operation and spatial proximity, these firms tended to specialise as sub-contractors to each other from the beginning. Employers have worked together in some cases in the establishment of common services, such as organisations to promote exports, make collective travel arrangements for exhibitions, and to hire consultants for export promotion and production management. In one district, eleven firms recently created a joint export company (including design, marketing, sales and distribution) to compete on the German market, while in another, employers have co-operated in providing buses to bring women to work from the surrounding agricultural districts.

4 The presence of machine shops and factories is identified by Kristensen as being crucial for the successful functioning of clusters of small manufacturing firms.

Unlike the Italian industrial districts, however, most firms continue to manufacture a specialty they sell to the final market, in addition to carrying out subcontracting work for each other. Specialising in subcontracting alone is seen as becoming too dependent on others, and firms 'use every opportunity they get to generate new independent businesses rather than institutionalise co-operative mechanisms'. Also in contrast to the Italian experience is the absence of any discussion of low wages or a segmented labour force contributing to economic success, as unionisation is close to the Danish average of 80 percent, and wages are set in national agreements. Despite such cultural and institutional differences, Kristensen - who conducted his research in co-operation with Sabel - insists that there are similar organisational principles at work in the industrial districts of Denmark and Italy, which enable networks of locally owned and controlled specialised SMEs based in peripheral regions to compete successfully in international markets (ibid.:29-39,47).

2.4.8 Different Districts, Different Causes?

The similarities in the spatial organisation of production in these Italian and Scandinavian cases would seem to support Scott's conception of new flexible production spaces, including the favourable position enjoyed by former peripheral regions. The model of industrial districts elaborated by the flexible specialisation thesis, consisting of interdependent specialised firms, would also seem to be supported, although with qualifications. The notion that new flexible manufacturing technologies and highly skilled workers would be integral to technologically dynamic industries, is not consistent with the production, in most areas, of low-tech goods. As has been seen, this can in fact be an advantage in local product development, and it is the case that quality production for niche markets is the norm.

The threat of exploitation of low paid, non-unionised workers through sub-contracting is mediated by varying levels of national labour standards and wage

bargaining frameworks. The role of the local state in the Third Italy in this regard will be discussed below. The fact that many of the districts are in peripheral regions, where seasonal, primary resource industries continue to operate, also provides an additional form of income for workers affected by periodic downturns. Indeed, the flexibility of these districts seems to derive more from organisational factors (specialised inter-linked firms) and labour market conditions, than from any technological imperative.

But the Italian and Scandinavian examples only take in a proportion of the new industrial spaces or industrial districts mentioned in the literature. The corporate experiments of Japanese multinationals, the information exchanges of Lyons, trade associations in Baden-Wurttemberg, inner-city and suburban enclaves within older industrial regions and the new high-tech agglomerations in the Silicon Valley, Orange County, Route 128 in Boston, the M4 corridor in Britain and the Scientific City south of Paris, among others, are all cited as evidence of the new spatial organisation of production in the emerging post- or neo-Fordist era (Scott, 1988:179-80; Piore and Sabel, 1984:249; Sabel, 1989:22,25-26; Amin and Robbins, 1990:14-15).

Scott distinguished between three 'major ensembles (or collections)' of industrial sectors which characterised different districts. These included 'revivified artisanal and design-intensive industries', 'various sorts of high technology industries', and areas linked through various service functions, particularly business services. He went on to note that each area represented 'a unique configuration of social and political life, which means that each is caught up in a unique development trajectory'. Nevertheless, Scott did suggest that 'a common underlying system of structural dynamics can be detected in virtually every case', consisting of 'the social division of labour, the formation of external economies, the dissolution of labour market rigidities, and the reagglomeration of production' (1988:175,181).

This conception seems broad enough to warrant inclusion of the various types of flexible production areas discussed. Scott acknowledges the possibility that conditions could change such that mass production or spatial dispersion would overcome the tendencies identified (ibid.:182-83). Similarly, Sabel has pointed to regional economies which lack the institutional requirements for inter-firm co-operation, and are therefore moving away from the flexible specialisation model (1989:27).

An understanding of how necessary and contingent forces combine in specific contexts aids in the understanding of the contribution of industrial districts to economic development. Lovering attempts just such an analysis in critiquing Scott's work. He maintains that Scott's effort to discern a 'common underlying system of structural dynamics' fails to account for the contingency of 'multiply determined' 'real world' contexts. Lovering conceives of 'necessary relations' as existing 'only within a "closed system", as in a theoretical model'. As such, Scott makes the mistake, according to Lovering, of assuming that 'the conditions of his abstract model pertain in the real world' (Lovering, 1990:162).

As conceptualized in Section 1.2., however, necessary conditions do not apply to some abstract grand theory removed from reality. Rather, they are conceived as properties or tendencies exhibited by specific structures or relations in the real world. The outcome of their influence in specific contexts is conditioned by their inter-penetration with other structures or relations - both necessary and contingent. Scott's definition of common characteristics or necessary relations operating in different contexts does not preclude such varying contextual outcomes.

Indeed, the factors listed by Scott - the social division of labour, the formation of external economies, the dissolution of labour market rigidities, and the reagglomeration of production - do not seem to represent such a significant departure from previous efforts to understand the nature of economic

development. The fact that an understanding of production must look beyond the plant or firm to the surrounding territorial organisation of production is, according to Walker, an 'unwelcome fact', 'rediscovered, it seems, once a generation' (1988:397). Amin and Robins cite Walker in agreeing that 'the territorial complex is an independent and trans-historical organizational form' (1990:18). The global reach of capital cannot be denied, but it operates within a 'continuing localization of innovative economic activity within spatial clusters which sustain the global network' (Cooke, 1988:298).

Even the most conservative work on national economic success acknowledges the significance of local production systems in the face of the 'globalization of industries and the internationalization of companies'. Porter, based on an international comparative analysis of a range of industries in ten countries (including Italy and Denmark), argues that competitive advantage is gained through 'a highly localized process', which produces the home base from which even the largest multinationals operate. He points to the 'clustering of a nation's competitive industries', which are 'usually linked through vertical (buyer/supplier) or horizontal (common customers, technology, channels, etc.) relationships'. This 'mutually reinforcing process', leads to benefits which 'flow forward, backward, and horizontally', and is 'heightened by close geographic proximity' (Porter, 1990:18-19,148-75).

This work reads like variations on a theme, developed by Weber and Marshall, and expanded upon by Innis, Hirschman, Walker and the current group described as the (not very new) 'new orthodoxy'. It is perhaps not surprising that one of the Italian writers Amin and Robbins approve of, Sebastiano Brusco, cites Hirschman as 'one of the main references [to understand] what has happened' in the Third Italy (Brusco, 1986:200). This is the same Hirschman who applied the staples thesis of Innis to understand the processes of third world underdevelopment. Linkages, between sectors - primary, secondary and tertiary - and between industries, as manifested through public and private organisations - government and firms - are

a necessary condition of economic development. That these develop spatially is a necessary condition of regional development.

2.4.9 Linkages and Peripheral Regions: The Importance of Trust

While the significance of linkages thus transcends the Fordist/post- or neo-Fordist divide, there have been sufficient changes in the global economy to generate a 'striking...degree of agreement that an old industrial order has been eclipsed' (Hyman, 1991:2). It is not the goal of the present work to establish the primary causal components of global transformation. But it is undoubtedly the case that the economic development possibilities for peripheral regions have been affected by these shifts. Not all forms of the new areas of flexible production have favoured peripheral regions, so it is necessary to consider what other crucial factors have combined to overcome - or qualify - the equation: industrialisation equals urbanization.

The significance of niche markets, with consequent benefits for producers able to shift production to meet changing demand, cannot be ignored. While some large firms adopt flexible mass production strategies, others are divesting different production functions to subsidiaries or subcontracting them to independent firms, whether large or small. Walker has noted that sub-contracting alone does not necessitate spatial proximity, as SMEs in peripheral regions supply components over long distances. But this is little different from the branch plant, creating jobs but few linkages. Just-in-time delivery systems, by contrast, do require spatial proximity, as do any industries or sectors dependent on close contact between buyers and suppliers for product or market development (Walker, 1988:391).

Different industries, as aggregations of individual firms and plants, also have different spatial requirements. Peripheral regions with dispersed populations are not likely to develop high technology agglomerations, because of their lack of large-scale, public or private R&D facilities, especially universities, and the broad

base of well-educated technicians and engineers required to establish an 'innovative milieu' (Amin and Robbins, 1990:4; Cooke, 1988:294-96). While often removed from traditional areas of Fordist mass production, these 'technopoles' are based in university towns or regions (Scott, 1988:181) which have far more favourable 'structured coherence' than dispersed, traditionally resource-based communities. Johansson has suggested that smaller university towns in Nordic countries could function as 'technology import subcentres', but that the metropolitan capital regions in each country would continue to dominate the importation and development of 'ideas, new products and technology' (1989:99,117).

In Britain, contrary to some of Scott's claims, good communications and limited spatial scale may limit the need for high-tech agglomerations (Lovering, 1990:168). But for peripheral regions with dispersed populations, agglomerations may be difficult to form for the exact opposite reason: communities are often too dispersed to enable sufficient numbers of people and firms to be within reach of each other. While this may limit the success of high technology industries and advanced business services, Johansson suggests that 'services oriented towards production techniques and material capital, export services, trade and transportation services' are not confined to large metropolitan regions (1989:116).

Central place theories, which regional scientists developed to measure population thresholds necessary to support various standardised services, also have less relevance for producer services which support production for export. Moreover, new communications systems, integrating advanced information technologies, and improved transportation systems, enable many peripheral communities to link together as production systems centred on a regional centre (Sjoholt, 1989; Illeris, 1989; Brox, 1987:69), as in the agricultural areas of Italy and Denmark. Sforzi has referred to the 'urbanized countryside' of the Third Italy, while Trigilia calls it 'diffuse industrialization' (Sforzi, 1989:160; Trigilia, 1989:175).

This notion of 'decentralised concentration' is seen by Sjoholt as the best chance for peripheral regions to develop inter-firm networks (1989:11). Allen argues that less than 5 percent of the population of Norway, Sweden and Finland is located in 'truly sparsely populated areas', defined as less than 20,000 people within a 30 kilometre radius (1989:27). Whatever the utility of setting such essentially arbitrary thresholds <Footnote: Oscarsson, 1989:52, in the same book, sets the population cut-off at 15,000>, this introduces the notion of degrees of peripherality. For such 'truly sparsely populated regions', the consensus is that continued traditional primary resource extraction, supported by national subsidies as well as transfer payments and social programmes, were the only likely course, although tourism offered some further seasonal income possibilities (ibid.; Allen, 1989:27-29; Illeris, 1989:123-24).

For peripheral regions able to develop sufficient communications and transportation infrastructure, the question remains of how to initiate and sustain the creation of competitive advantage in a particular sector or industry through the creation of inter-firm linkages. Porter maintained that one of three determinants could usually be found to have triggered the formation of industrial clusters. Factors of production, particularly natural resources, were at the root of many regional industries, although the development of local skills or expertise through local educational infrastructure or even through branch plants could also lead to spin-offs. Consistent with the latter, related and supporting industries could also generate new activities which become successful industries in their own right. This also accounts for the fact that most new firm creation occurs where industry is already well developed (Spilling, 1985:42-44). Finally, substantial or distinctive demand conditions can lead to local industries which then expand into wider markets (Porter, 1990:159-60).

For peripheral regions, the question - not addressed by Porter - is how insiders are to capture linkages, so that spin-offs are realized locally, thereby building up the interactions which create competitive out of comparative advantage. The danger

of relying on specialised SMEs, which are more likely to be locally owned and controlled and more likely to foster local linkages (Massey, 1988b:234; Illeris, 1990), is that they are susceptible to takeover from large outside corporations once they develop a profitable product or service (Hanson and Wilde, 1988:191).

The answer, according to proponents of the flexible specialization thesis, is seen in the formation of industrial consortia or groups of SMEs as in the Third Italy, or the creation of interdependent regional systems of SME's in Scandinavia. As such, economic efficiency and corporate power are not limited to internalized hierarchies within large firms; a cohesive consortium of SMEs may present an alternative institution of power. But for small firms to 'have the confidence to specialise' - 'a prerequisite to increased productive efficiency in a small firm' (Best, 1989:202) - trust is necessary.

Leborgne and Lipietz posit the possibility of partnerships between firms, unions, universities and territorial authorities, within 'a territorially integrated, diversified, multisectoral network of specialized firms and principal firms'. In a conception of social organisation which 'rejects the dualization of society', they contend that - in areas not dominated by 'the old Fordist compromises' - a 'system-area' requiring and consolidating social consent is feasible (1988:276-77).

Hyman has developed the notion of 'the social foundation of stable contractual relations' further, by exploring the cultural underpinnings of consent. He cites Dore's work on Japan, which outlined how 'a system of institutionalised long-term commitments in Japanese relationships between employers and workers and between customers and suppliers creates norms of trust and mutual obligation'. Consequently, the Japanese are willing to adapt to changing demands and opportunities without adopting a defensive posture, although only the skilled core enjoyed such conditions. Hyman nevertheless queries if such dualism is potentially avoidable: 'The societal disorganisation associated with enterprise dualism

(particularly, perhaps, if developed in nations with strong traditions of social equity) may not be conducive to economic efficiency' (1991:17-18).

The theories of Durkheim and Weber may have more to offer in exploring such issues, Hyman suggested, particularly in how 'a society with a high degree of "organic solidarity" - of social norms regulating contractual relations - is likely to enjoy favourable economic performance' (ibid.:18). Organic solidarity, the existence of well established norms and values within an identifiable community, is typically contrasted with the social upheaval represented by urbanization and industrialization. As seen in the Italian and Danish examples of peripheral industrial districts, there are several mutually reinforcing characteristics that provide the basis for trust. Sabel described this as the 'model of small-holder, family agriculture as the matrix of co-operative entrepreneurship' (1989:47). Is this a social form of comparative advantage enjoyed by peripheral regions? (5)

The contribution such social relations make to shared values and willingness to depend on one another, moreover, is supplemented by very real economic supports peripheral populations enjoy. It is necessary to view this in the light of the uneven development of capitalism, to understand alternative conceptions of work. Pahl has argued that work has only been conceived as full-time paid employment since the end of World War I, and then only in the core regions of industrialized countries. Even after industrial employment was well-established, many workers combined wage labour with traditional, pre-capitalist forms of production (1984:303-5).

Today 'pluri-activity' is seen as a crucial means of survival in agricultural areas suffering from declining farming incomes. Possibilities to combine farming with

5 There are other sources of trust between firms and workers - personal relationships, especially family links, ties through the scientific community or professional associations (a common denominator in high-tech agglomerations such as Silicon Valley), ethnic allegiances (the New York City garment district) (Sabel, 1989:47; Walker, 1988:396; Porter, 1990:153).

various forms of wage labour are aided by industrial restructuring, as more part-time service jobs are created and rural industrialization increases (Newby,1988; Summers, et al., 1988). As indicated in the Italian and Danish cases, moreover, cyclical fluctuations in demand and temporary unemployment are less damaging to individual economic well-being in rural areas, where such conditions have always prevailed in resource sectors. Sectoral specialisation in peripheral industrial districts is also less likely to devastate a region's economy during downturns, as it did in the West Midlands in the 1980s (Elliot and Marshall, 1989), as resource sector employment represents a pre-existing form of diversification.

Just as significant as alternative forms of wage labour in peripheral regions, however, are non-wage contributions to economic well-being. Pahl maintains that even in urban areas, as under- and unemployment are encountered, the 'household economy' is becoming more important. Not only should the number of wage-earners in a household be accounted for, rather than seeing workers as individuals, but the 'household as producer' must consider domestic self-provisioning and informal economic activity (Pahl, 1984:134-39). Gershuny pointed to the rise of a self-service economy, as new household appliances and other material commodities enabled people to substitute purchased services with 'do-it-yourself' (1978, cited in Allen, 1988b:109-11). Strategies which unite the wide range of combinations of formal and informal activities which characterise specific local labour markets are thus able to acknowledge the compatibility of flexible employment practices with households which do not depend on a single source of income (6).

The continuing significance of informal economic activity in peripheral regions, and its apparent growth in urban areas, also has potential political implications, influencing the level of consensus in society. Williams, Offe, Gorz and Saunders have all suggested that the declining significance of production and formal

6 See Hadjimichalis and Vaiou, 1990, for a fine-grained analysis of flexible production systems and local labour market characteristics in Northern Greece.

relations of production have diminished the significance of class as a basis of consciousness and cleavage (Cited in Pahl, 1984:319-20,334-5). The growing significance of the household economy, according to Pahl, also enhances a 'nascent localism', as self-provisioning and the informal economy operate on the level of the immediate community - a stark contrast to formal employment increasingly controlled by outside corporations and global processes (Pahl, 1984:196-97).

Ironically, it is this community identity and social consensus - if only in the absence of class divisions based on formal employment - which could contribute to the trust necessary for the creation of industrial districts of small, interdependent firms on the local level. The existence of non-market economic activities and the absence of the stark class divisions which typify the former industrialised core, present favourable conditions for new flexible networks of specialized firms in peripheral regions, but they do not in themselves - necessarily - generate their formation. For this, structural supports and conscious strategies are required which build on pre-existing social and cultural conditions.

2.5 Strategies and Structures for Local Development

In the Third Italy, the lowest level of local government, communes, led the way in the creation of consortia and the establishment of joint service facilities which underpinned the emergence of industrial districts there. While having relatively few powers concerning industrial policy, communes in Central and North Eastern Italy benefitted from a 'localist tradition' in support of regional development rooted in distinctive political sub-cultures. In the North-East, a Catholic tradition represented by the Christian Democratic Party, and in Central regions, the dominance of the Italian Communist Party, led to the exclusion of both areas from significant influence in national politics. In the absence of effective economic development policies from the centre, local government took the lead (Trigilia, 1989:174-75,180).

As early as 1949, municipalities in the Modena province of the Emilia-Romagna region collaborated with private developers in the establishment of serviced industrial estates and 'artisan parks'. While the communes lacked the resources to finance such projects, they maintained the power to grant planning permission for construction. By agreeing to provide the commune with a portion of their property at below market price, developers received permission to develop the rest. Buildings were later constructed by private firms with similar agreements, and working with artisan associations, the communes then allocated space to consortia formed by small firms, thereby facilitating the 'commercial synergies' that typify industrial districts (Brusco and Righi, 1989:406-10).

While inter-firm networks can lead to economies of scope and scale in production through physical proximity, firms and communes soon realized that marketing, finance, technical information and R&D are less easily accomplished. Consequently, in co-operation with the two other levels of sub-national government in the country, the province and the region (Zariski, 1985), communes facilitated the formation of a range of joint services, from loan guarantees and product development to purchasing and sales. Most catered to a particular group of SMEs linked in the production of a particular good. Such 'Road Service Centres' provide the range of services essential to innovation, production and export, which individual SMEs are too small to access individually. They are funded jointly by the commune and regional governments and the producers associations or consortia, with services provided at a fee. The commune financial commitment is therefore relatively small, and public funding is usually limited to five years, after which the member firms are expected to assume the full cost (ibid.:414-17).

Brusco and Righi stress that the success of this intervention has been accomplished despite the absence of formal local government jurisdiction or substantial financial resources. Under such conditions, they contend, 'a climate of social consensus and strong credibility on the part of local government are necessary prerequisites for the successful pursuit of local industrial policies'.

Lacking formal power and resources to enforce its policies, local government collaborated with private firms, and with neighbouring municipalities and higher levels of sub-national government (ibid.:405-6). The local legitimacy of communes throughout Italy is reflected in the fact that while other European countries have amalgamated local government units to improve service efficiency, co-operation between existing units has been favoured in Italy (Smith, 1985:68-69).

Political sub-cultures and localist traditions thus improved the ability of local government to overcome the hesitance of individual artisanal firms to depend on one another and work together as a group. The same community values no doubt contributed to a sense of organic solidarity amongst the firms, independent of government, and it can be argued that this also diminished the tendency of firms to exploit workers in flexible working arrangements. Where firms may have attempted competing through sweating, there were a range of forces mitigating abuses. Involvement in industrial groups meant that artisanal associations provided some oversight. Communes also worked with unions, particularly in the Communist North East, to the point that local unions often went through territorial bodies to resolve disputes rather than through their national organisations (Piore and Sabel, 1984:271; Trigilia, 1989:191). Finally, as noted above, because joint service facilities for SMEs were organised on the communal level, the household economy and seasonal agricultural employment remained as a buffer for flexible formal employment (Trigilia, 1989).

By contrast, the work of the Greater London Council in Britain, which explicitly attempted to implement flexible specialisation strategies, demonstrates the limitations of such initiatives where Fordist rigidities in productive and social relations remain. In May 1981, in the midst of sustained industrial decline in Britain's urban agglomerations, a number of Labour Party-controlled Metropolitan County Councils - one of several layers and forms of local government in the country - came into power with the mandate of implementing local industrial strategies. Lacking specific powers to undertake such a role, the councils found a

provision in the Local Government Act allowing them to spend the product of a 2p rate on activities not covered elsewhere in the Act. For the Greater London Council (GLC), the largest and most active of the councils, this amounted to £38 million (Benington, 1986; GLC, 1985:1).

In contrast to the neo-conservatism of the Thatcher government, industrial policy as set out in the GLC election 'manifesto' was to encompass social as well as economic goals. Detailed planning documents were produced and an arms-length body, the Greater London Enterprise Board (GLEB) was established to implement the Council's economic goals. These included plans to invest in new municipal enterprises, producer co-operatives, firms facing closure, and new start-ups. In each case, long-term goals were to replace the short-term gains expected by commercial investors.

Influenced by trade union initiatives in the declining defence industry, the GLC called for 'socially useful production' which incorporated workers' skills and creativity in producing goods to satisfy unmet social needs. In exchange for GLEB investment, firms were expected to agree to detailed enterprise plans, extending the scope of collective bargaining by involving workers in the decisions affecting their jobs. Union recognition, pay and conditions, health and safety and training needs were all specified in the plans, in addition to commitments by the firms to remain in the area and maintain employment levels (GLC, 1985:40-42,103; Benington, 1986:10-11,13-15).

Enterprise planning also extended into product and market strategies, investment and technical change. A goal of 'alternative production' was developed, which maintained that restructuring could be carried out in the interests of labour rather than capital. Recognizing that local government investments were insufficient to tackle multinational corporations, the GLC directed its economic intervention towards key sectors where its impact was likely to be greatest. The experience of the Third Italy in the creation of industrial districts was taken as a model of how

flexible specialization - networks of interdependent SMEs incorporating new production technologies - could enhance competitiveness and the position of labour (GLC, 1985:33-38,42-43; Murray, 1985:31).

The GLEB's work in the London furniture industry was approached in this way, in an effort to overcome the extreme fragmentation of individual firms dominated by large retailers, who forced them into 'a downward spiral of price competition' (Mackintosh and Wainwright, 1987:219-22). Low-wage mass-producers in underdeveloped countries were still able to undercut the London producers, while design-led Swedish, German and Italian firms captured quality niche markets. On the basis of an intensive sector strategy, the GLEB attempted to transform the London industry into an integrated production system as in the Third Italy, by combining the type of joint services provided by Italian communes with the selective investment strategies envisaged in the GLC's manifesto (ibid.; Best, 1989:196-204).

Because of the GLC's commitment to enterprise planning and achieving social, as well as economic goals, priority was placed on direct control in individual firms, which were then expected to meet the prescribed agreements and strategies. Medium-sized, family-owned firms in the furniture sector were targeted for investment, and the GLEB usually demanded one or more seats on the board of directors (Best, 1989:215), as well as compliance with an enterprise plan. If firms refused to accept GLEB conditions, 'if necessary', it would wait 'until the firm is weak enough to accept them' (ibid.:49-51).

Michael Best, one of the formulators of the GLEB furniture sector strategy, has written since that this represented an inaccurate conception of power within firms. He cites Penrose's theory of the firm (1959), which emphasized the importance of human resources and shared experiences in productivity. Even with financial control, the GLEB was dependent on its private partners who had the intimate knowledge of the firm and the sector. Best maintains that even the

threat of enforcing conditions in enterprise plans undermined the trust necessary for success, in both commercial and social terms. He contends that 'the alternative notion of sector restructuring as an ongoing process promulgated by inter-firm co-operation was not seriously considered' (1989:217-19).

Indeed, supporters of the GLEB initiatives, and the GLC itself, recognized that the dependence on private managers inhibited the implementation of enterprise plans. Yet, their answer was to gain complete control of firms and to teach those sympathetic with progressive social and economic policies the necessary management skills (GLC, 1985:48-49; Murray, 1985:31; Mackintosh and Wainwright, 1987:142,192, 234-36). Unlike the Third Italy, local government, workers and employers were not seen to have the same interests, and as noted by Best, 'inter-firm co-operation and a sector infrastructure depend upon a capacity for shaping consensus' (1989:220).

The GLC economic policies were as much oriented to transforming capitalist society as they were to reviving the London economy. With its mandate set by the GLC manifesto, the GLEB was intended to operate 'in and against the market' (GLC, 1985:44). The GLC initiatives could not build consensus because they were explicitly based on a view of productive relations rooted in conflict. As noted by Thompson, as long as British industrial relations were seen as a zero-sum game, both employers and workers lose (1989:533). Unions were often afraid to take part in enterprise planning, even though it was meant to 'release the creative energies and ideas' of workers, because 'their greater understanding of the financial constraints and prospects of their enterprise may lead them to work harder, perhaps even to moderate their demands' (Mackintosh and Wainwright, 1987:137-40).

The GLC was dominated by ideological proclivities rooted in Fordism, in an urban agglomeration far too diverse to present a sense of shared values. As the capital city of Britain, surrounded by the wealth of financial service industries, residents

could hardly unite in opposition against an external oppressor. The dominance of multinationals in many sectors of the London economy must account for the limited impact the GLC could have in tackling 'the highest concentration of unemployed in the industrialised world' (Nolan and O'Donnell, 1987:252), but this does not explain the problems encountered in the domestically-controlled furniture industry.

Sector strategy gradually withered away, as the GLC turned to forms of intervention all socialists could agree upon: direct employment in the provision of public services, and use of the GLC's significant level of power as a purchaser and contractor to enhance employment conditions and meet social need (ibid.:14-15; Best, 1989:220; Benington, 1986:18). Even these were undermined in March 1986, when the Metropolitan County Councils were abolished by the Thatcher administration, as just one of many changes to the structure and finance of local government introduced to remove this persistent source of political opposition and alternative policy (Benington and Stoker, 1989).

In the light of the GLC experience, Amin's view of industrial districts in the Third Italy as unique and non-transferable is understandable. Collaborative structures within localities involving capital, labour and municipal government are 'rare' in Britain (Nolan and O'Donnell, 1991:7); flexible working attitudes are 'notoriously absent' (Thompson, 1989:542). Yet, the West Midlands Enterprise Board (WMEB), taken over by seven district councils after the abolition of the county council (as was the GLEB by seven London borough councils), has pursued a strategy much closer to that of the communes and regions of the Third Italy. Despite a history of heavy manufacturing industry in the large urban conurbation, the WMEB has recognized the need for consensus to restructure indigenous industries. Rather than taking over firms to try to force its views, joint service facilities have been established to improve levels of technology and design, thereby enabling - and requiring - higher wage workers (Elliot and Marshall, 1989).

Different strategies can thus be implemented by the same structure, and vice versa. The outcomes may be different, but lessons can be applied in different contexts. In Sunnemore and West Jutland, despite relatively strong Scandinavian commune governments on the local level, local government has not played a key role in the creation of inter-firm networks, although there are signs that this is beginning to change (Kristensen, 1988).

It is difficult to measure the degree of success of such initiatives without in depth case studies, however, making aggregate conclusions almost meaningless. In a review of local development initiatives throughout Europe, Spilling found little evidence of significant job creation. He maintained that even where new firms were created, they took business away from existing firms within the community or competed with firms in nearby communities (1985:39-41). A similar study of municipal development initiatives in Scandinavia had similar results, although it was admitted that such aggregate studies fail to discriminate between successful cases and failures. It was also recognized that most such initiatives were relatively new and experimental, with little time to produce results (Interview, Baldersheim).

These studies also fail to delineate the structures of local decision-making involved in various cases, the power and resources at their disposal, and the specific forms of local development strategy undertaken. Many local initiatives simply replicate national programmes of incentives and infrastructure, with little or no effort to generate linkages between firms, sectors and industries. In Norway alone, numerous typologies have been developed to describe the range of local initiatives attempted. These include 'market oriented' (production for export), 'administration oriented' (attracting public sector expenditure), and 'self-sufficiency' (production for local needs) (Almas, 1986); 'acquisition' (attracting outside companies), 'grunder' (the German word for founder, implying assistance to local SMEs), and 'community entrepreneur' (municipalities holding shares or operating their own businesses) (Bukve, 1986).

Before analyzing the specificities of local economic initiatives in Newfoundland and Northern Norway, it is necessary to briefly delineate the institutional forms which structure the formation and implementation of development policy. In the Third Italy and in London, local government has been central, and most observers agree that the creation of regional production systems or industrial districts requires intervention by sub-national decision-making bodies. These can take many forms, however, which influence the effectiveness of whatever policy is adopted. Indeed, many proponents of local development do not take government bodies as their starting point at all. A consideration of these 'Third Sector' initiatives, often found in peripheral regions, provides a useful contrast to local state bodies and regional bodies of the national state. As will be seen, the voluntary regional development associations of Newfoundland continue to play a central role in local development efforts. The differences between these organisational forms and the various manifestations of 'local state' in Newfoundland and Northern Norway, provide key insights into the structural conditions most conducive to effective development strategies.

2.5.1 The Third Sector and Community Economic Development

While the household economy, informal economic activity and self-provisioning can be seen as complementary to flexible networks of SMEs in the Third Italy and Jutland, some see them as a substitute to formal economic initiatives in peripheral regions. This alternative model of development, expounded most clearly by Schumacher (1973), rejects efforts by underdeveloped regions and nations to replicate the large-scale industrial activities of Western Europe and the United States. Instead, small-scale diversified activity, focused on self-reliance is advocated as a preferable development path. The alienation and environmental degradation of industrialisation are to be substituted with environmentally sustainable activities run by co-operatives and other forms of 'self-help' (Varley, 1988).

While these conceptions originated before economically sustainable small-scale manufacturing activities had been identified as a feasible alternative to Fordist production, the emphasis on collective self-help continues to offer a third option to the public sector and private ownership. When located in peripheral regions, this often includes a normative commitment to rural lifestyles and 'appropriate development'. Whether in rural areas or depressed inner cities, it emphasizes 'integrated development', which values social needs and services as much as job creation (Clarke, 1981; Bryden, et al., 1989; MacLeod, 1986; Newby, 1988:18).

In this sense, many third sector initiatives are not unlike the GLC, with its emphasis on socially useful production. While some anarchist or utopian socialist programmes for social change have proposed regional self-sufficiency and communal organization (Edel, et al., 1978:3), many community development proponents consider themselves removed from any socialist ideals. Rather, they adopt an ideology of community that is considered distinct from both capitalism and socialism. Regardless of any class divisions within their area, they claim to work on behalf of all the inhabitants of a specific disadvantaged region or locality (Bryden, et al., 1989:28-29; MacLeod, 1986:55; Varley, 1988:29).

Because the emphasis on voluntary self-help rejects direct involvement by government bodies, however, these claims usually lack the authority or resources to speak for the population as a whole. Ironically, third sector groups often look for financial resources from national or supra-national bodies, not from local government. Varley has outlined the significance of the European Community Anti-Poverty Programmes in funding local development groups in peripheral regions of member countries. Because funding is limited, however, social and cultural projects are emphasized over more costly job creation (1988:30-31), perhaps contributing to the glorification of integrated development.

In Scotland, community co-operatives were established by the Highlands and Islands Development Board (HIDB), a regional body appointed by the national state, to generate local development in peripheral communities. With financial restraint under the Thatcher government, the 'community enterprise movement' (7) is now being encouraged by the HIDB to work more closely with local government. In the context of the attack on local government in Britain, this usually means bidding on services previously provided by municipalities. In 'truly peripheral regions', where the HIDB's initiatives were focused, such strategies offer little development potential. As observed by McArthur, it is 'unrealistic to consider community enterprise as a solution to the employment problems of economically depressed localities' (McArthur, 1989:4-5,13-14; Bryden, et al., 1989:45-47)).

Although the ability of co-operatives to act as agents for community development is limited by their exclusive membership, as they only represent their members (Clarke, 1981:16-17; MacLeod, 1986:16; Varley, 1988:16-17), one of the best examples of the successful creation of a regional production system is the Mondragon system of co-operatives. The standard example cited of how co-operatives can be economically successful, Mondragon is based on a system of inter-linked independent co-operatives, in a manner reminiscent of the Third Italy. A 'maze of relationships' exists between first and second level co-operatives, with the latter providing various services to the former, which produce a finished good or service. The founder of the Mondragon movement, Jose Maria Arizmendi-Arrieta, a Catholic priest, maintained that co-operatives could never succeed on their own in a capitalist economy; they had to work together (MacLeod, 1986; Bradley and Gelb, 1987).

Unlike the Highlands and Islands, the Mondragon co-operatives were not implemented by the national government, but were an expression of Basques

7 'Community Enterprise' encompasses both co-operatives, in which members are shareholders, and community business - more common in the urbanized central belt of Scotland - which members join by paying a nominal membership fee.

nationalism in opposition to the Franco regime. Basques' cultural identity and unity in the face of an outside oppressor helped forge the trust necessary for successful interdependent enterprises. The Basques also had an industrial tradition to build on, and emphasized the importance of flexibility in the organisation of production (ibid.). A 'danger' of such economic success in co-operatives is that worker participation is diminished (Baldacchino, 1990), but in the case of Mondragon - as in the Third Italy - abuses have been mitigated by co-operative labour relations in which close community-firm links inform employment practices (Bradley and Gelb, 1987:93).

In Canada, experiments with community development corporations (CDCs) represent an amalgam of these various approaches. Influenced by the inner city movements for community self-help in the United States of the 1960s and 1970s (Sinclair and Felt, 1990; MacLeod, 1986), CDCs in the Canadian context are more like Scottish community businesses than co-operatives. The most influential of these is New Dawn, in Cape Breton, Nova Scotia, which was founded by Greg MacLeod, a priest who takes Arizmendi-Arrieta and Mondragon as models to be emulated (MacLeod, 1986). MacLeod has had direct influence on the formation of the Great Northern Peninsula Development Corporation in Newfoundland, which is analyzed in Chapters 3 to 5.

Significantly, MacLeod favours CDCs over co-operatives, because they can be run by a voluntary Board of Directors in the interests of the community at large. This, of course, also means that they can be run without control by the population they supposedly represent. In creating New Dawn, MacLeod favoured a Board that included individuals with specific areas of expertise, but who also shared 'a social conscience'. If CDCs were to create employment, the 1960s emphasis on citizen participation for its own sake had to be sacrificed. The underprivileged were the least able to help themselves, MacLeod maintained; mass participation was always a long-term ideal, but competence had to be the priority in the short run (MacLeod, 1986:20,59-60).

MacLeod's hierarchical and paternalistic views, seeing democratic election of board members as 'extreme democracy' (ibid.:60), are clearly consistent with the traditional authority enjoyed by clergy in rural areas. The same can be seen in the role of priests in the parish councils of the west of Ireland, which formed the basis of a system of community co-operatives that the HIDB took as a model for its community development programme (Pedersen, 1987; Varley, 1988).

A secular version of such paternalism can be found in the adaptation of 'animateurs' used in Third World contexts to peripheral regions. The field workers sent by the HIDB into remote areas of the Highlands and Islands to promote community co-operatives were an example of this. One former HIDB 'animateur', John Bryden, has since written extensively on the need for skilled individuals to work on the local level, positioned between development agencies, regional and national policies and the community. Such animateurs are to provide a means for individuals and groups in the community to articulate their views to external agencies, and to explain how funding programmes can benefit the locality (Bryden, et al., 1989).

Bryden notes that animateurs will need to work with local governments, but there is an implicit assumption that such development agents are better able to work on the community's behalf than locally elected representatives (ibid.:32,43). Questions of accountability aside for the moment, reliance on the attributes and skills of specific individuals risks the sustainability of development efforts should the person leave the area. According to Newby, this was the 'undoing' of such Third World development initiatives (1988:19). In the Highlands and Islands, now that the HIDB has removed its field officers because of fiscal restraint imposed by the national government, it is ironic that the national agency can express disappointment that local authorities have not stepped in to provide financial support (Pedersen, 1987:6-8). As noted by Geddes, the distancing of the HIDB from

'unwelcome local democratic influence...also denies it any real popular support' at a time when it is facing budget cuts (1984:276).

Questions of statutory authority, democratic accountability and fiscal autonomy point to a role for the state in local economic development. The third sector provides a useful qualification of how development and democracy are conceived, but for peripheral regions attempting to generate economically sustainable employment, emphasizing self-reliance and self-help are only likely to perpetuate economic and political dependence. The social and cultural underpinnings of successful co-operative structures, as in Mondragon, are not conducive to policy manipulation, and indeed, can be undermined by government intervention (Jentoft, 1989). Voluntary groups and state policy need not be mutually exclusive, however, and for peripheral regions, joint initiatives by the local state and third sector organisations may be the clearest route to economic development that builds on existing non-market strengths.

2.5.2 A Relatively Autonomous Local State

Contrasting third sector organisations with local government highlights the latter's status as a relatively autonomous level of the state. The state, as conventionally conceived, is the cluster of institutions - representative assemblies, judiciary, police - which maintains the authority to rule over a defined territory and enforce its decisions. Authority implies that the state is licensed or authorized to exercise power within its territory; it possesses ultimate recourse to the legitimate use of force. Legitimacy can be derived from several sources: custom or convention, charismatic leadership which inspires personal or group loyalty, legal statutes and, in modern liberal democratic states, representative democracy and electoral accountability (Hall, 1984; Giddens, 1989; Olsen, 1983).

Referring to local government as the local state can signify its relative autonomy from both higher levels of the state and from civil society within the territory of its jurisdiction. Legally, and financially - which provides the resources for the

local state to exercise its jurisdictional authority - the local state is strictly subservient to higher levels, which delegate its power. But because of the legitimacy gained through convention - where the local state has an historic presence - or through local elections, it can oppose higher levels on issues which transcend its strictly defined responsibilities. While the local state acts as an agency or partner with the national state, its representational role grants it a dual character. As argued by Miliband, the local state acts as both agent and obstacle to the national state. With the legitimacy to represent the local electorate gained through democratic accountability, higher levels of government can not ignore local councils, as much as they may object to their policies (Duncan and Goodwin, 1988:5-7,46; McKenzie, 1981: 310,363, 370; Larsen, 1982:1-2).

In relation to individuals and groups within the territory of its jurisdiction, the local state also enjoys a degree of autonomy. This autonomy must be qualified as well. While local elites can control municipal politics, they are closer to local pressures and demonstrations of discontent than national levels and, as imperfect as formal electoral systems are, they are periodically accountable in local elections. Access to local political office, in terms of electoral expenses, is also far less costly than higher levels. Because of this accessibility, local governments have been captured by working class or other interests alienated from higher levels of government (Smith, 1985:25-30,40; Duncan and Goodwin, 1988:4,40-42,271-72).

Although held accountable to the electorate in periodic elections, and susceptible to local lobbying and protests, local representatives do have authority to make decisions on behalf of all residents and powers to enforce them. This is a crucial difference between the ability of local states to implement economic development strategies for a specific territory, and the efforts of CDCs, co-operatives and other third sector organisational forms.

Decision-making can be devolved in various ways, however, and just as economic development builds on the remains of previous forms of economic activity in a region, so too do institutional forms evolve from previous structures (Duncan and Goodwin, 1988). Hall has set out an 'institutionalist analysis of politics', which attempts to go beyond the treatment of politics as a nebulous catch-all category of explanation. Economic policy must be understood as 'an essentially political process' that is structured by 'an underlying institutional logic'. In a manner reminiscent of Giddens' notion of 'structuration', he maintains that while human agency determines directions taken at specific junctures, political institutions shape responses to varying social forces. The state thus appears 'as a network of institutions, deeply embedded within a constellation of ancillary institutions associated with society and the economic system'; it is 'the cumulative product of political struggles at a series of crucial historical junctures' (Hall, 1986:3-19,229).

Taking such an approach necessitates an understanding of the institutional and environmental constraints on policy formulation and implementation. These vary by nation as well as through time. This is nowhere more apparent than in the decentralization of decision making from national to sub-national bodies and actors. All states have some form of decentralization. Federations are the most obvious example of sub-national units holding significant levels of political autonomy, but as noted by Smith in a wide ranging treatment of decentralization, many unitary states have sub-national units with greater autonomy than some federations. Within federations, moreover, provinces or states also devolve power to regional or local governments, and as will be seen in contrasting Newfoundland and Norway, the existence of a provincial level can dilute the autonomy of local government. The fact that provincial or state powers are set out constitutionally in federations rather than devolved, nevertheless, makes it more difficult for the national level to encroach on them - a fact blatantly noticeable by its absence in the United Kingdom (Smith, 1985:1-19; Whalen, 1976:43-44; Pierre, 1989:4-6).

Duncan and Goodwin go some way towards rooting these institutional configurations in the environment of uneven social and economic development. 'Without the uneven development of societies', they argue, 'there would be little need for local - that is subnational - institutions in the first place'. The uneven development of capitalist society in particular requires state institutions to organize and manage social and economic relations at varying spatial levels. Building on the work of the new economic geography of the 1970s and 1980s, they maintain that different combinations of processes operate on different spatial levels, requiring a theory of the local state which distinguishes those processes faced by state institutions on the local level from national bodies (1988:21-45,76-77).

The term 'local state' is by no means universally equated with the conception of relative autonomy outlined above. Introduced by Cockburn (1977), in a Marxist analysis of the London borough of Lambeth, she conceived of the local state as an agency of the central state in a functionalist subservience to the needs of capital (Duncan and Goodwin, 1988:32-33). A Marxist approach is not required to view local institutions as little more than appendages of the central state, however. Areas defined for specific forms of service provision, bureaucratic authority or field personnel can be used by national governments - or provinces in federal systems - to respond to varying territorial requirements, without devolving authority. This territorial delegation, as compared to devolution, is referred to as deconcentration (Smith, 1985:9-11).

Boards of non-elected appointees can also be appointed by higher levels of government to serve specific functions, such as economic development, without sacrificing central control. Such quangos - quasi-autonomous non-governmental organizations - often include representatives of local industry, as well as local government officials, resulting in confusion over jurisdiction and purpose (Sabel, 1989:43-44).

Devolution of authority, entailing sub-national political representation as well as bureaucratic functions, nevertheless has deep roots in most western countries (Rev, 1984; Magnusson, 1986; Smith, 1985). Because the legislative and fiscal autonomy and administrative competence of local government is often inadequate to tackle higher levels of government, urban and regional movements and coalitions can emerge - with or without the involvement of local government - to defend the interests of their territory against central authority (Pickvance, 1985).

This is particularly the case in sparsely populated peripheral regions with depressed, resource-dependent economies, where weak local government provides an inherent incentive for the formation of coalitions. Where the fiscal capacity of local government is limited, either by national controls and restrictions or by depressed local economies, access to voluntary contributions of staff and resources can enhance economic development capacity substantially. In Sudbury, Ontario, the closure of the mine in the single-industry town spurred the formation of a coalition of community organisations and businesses with the local council. By pooling financial and personal resources, they implemented an integrated development strategy for the community that enjoyed a broad base of support (Filion, 1988:395-404).

For local government, such coalitions are also a means of transcending the limitations of representative democracy in providing a voice for all sectors of the community. The Labour Party-controlled metropolitan county councils of England established coalitions for ideological as much as economic reasons. By providing financial and administrative support to trade unions and community groups, it was hoped that a constituency would be created outside the local state to continue to pressure it for progressive policies. Fears that community groups would be co-opted by the state were thought to be out-weighed by the financial and administrative assistance they received and 'the legitimacy and power that comes from the political and ideological backing of the local state' (Benington, 1986:15-17; Mackintosh and Wainwright, 1987:15-16,399-400,406-7).

These spatial coalitions can be seen as expressions of existing or previous modes of production, which contribute to the shaping of distinct social formations (Massey, 1978; Cooke, 1985). Others have posited regionalism as 'the spectre haunting socialism', though, as broad coalitions demanding autonomy from the central state divide the working class according to ethnic, linguistic, historical or simply territorial identifications and interests (Edel, et al., 1978:1,7-8). Pickvance maintains that the class composition of an area tells little of the 'regionalist consensus' which contributes to the formation of spatial coalitions to fight for regional economic development. While regional interests and class are interdependent, neither can be reduced to or explained by the other (House, 1983:47-48).

Duncan and Goodwin note that natural (environmental and geographical) forces also continue to influence human relations, and should not be ignored by emphasizing the 'created environment' (1986:68-69). In peripheral regions, where industrialization and built environments have not had the same pervasive influence as elsewhere, this is even more likely the case. Where geographical or traditional characteristics contribute to particular 'ways of life' - attachment to the sea, to mountains, to farmland, to wildlife - powerful emotive forces are at work.

Whatever the basis of a regionalist consensus, nevertheless, maintaining spatial coalitions is often difficult. Different groups which coalesce around a particular crisis or issue, have conflicting agendas at other times (Pickvance, Harvey, 1985; Filion, 1988). This, in itself, points to the significance of the local state for regional development initiatives. Claims that formal lines of power restrict the creativity which can be attained from multiple structures of control (Mulgen,1988), ignore the significance of organization in the 'mobilization of bias' (Hall, 1986:264-66). As a territorial decentralization of authority, the local state can be seen as a move in the right direction from centralized control, but at some

point the strength of weak ties in diffusing information must allow for strong ties to act on information and enforce decisions (Granovetter, 1973).

Even within the coalition of unions, women's groups and ethnic organizations assembled by the GLC, conflicts of interest arose. Assumptions that a progressive local state and 'the people' could establish consensus and form alliances were naive, according to Wainwright and Mackintosh. As a political and statutory body, the state could not simply serve as a resource centre for community groups. Criteria for funding had to be set, choices between applicants made, and conditions imposed on recipients. For third sector groups, this often represented unwelcome intrusions into their affairs, but this was the price of public support (Mackintosh and Wainwright, 1987:129-30,400-401,423-25).

If the contribution of trust, social solidarity and common identity essential to the establishment of inter-firm networks is to be harnessed, nevertheless, a bridge must be established between local political power and local civil society. Conditions favouring organisational coalitions also have an impact on the form human agency must take. Leaders who can forge coalitions with community groups are most likely to succeed in accumulating the resources necessary for effective economic intervention (Larsen, 1982:19-21).

Acknowledging that 'decision making' is actually about people - usually relatively few in representative democracies - also qualifies over-determination of political and economic outcomes. At various junctures, human actors do makes choices which tip the balance of the myriad of necessary and contingent forces operating in any context (Hook, 1945). Not only does this underpin the very conception of policy-making as a means to affect positive change, it also means that economic and political underdevelopment is not necessarily a victimless crime.(8) An understanding of the specific constraints and opportunities existing at particular

8 As Duncan and Goodwin, 1988:29, accept, but Massey, 1978 and Edel, et al., 1978, do not.

historical moments must be understood if such judgements are to be made, and it is clear that such phenomena are not generalisable. But for specific places at specific times, people can make a difference - for better or worse.

2.5.3 Institutions, Identities and Space in Devolving Economic Decision-Making

It is important, when considering various contributions to cross-class identifications, to distinguish between local and regional levels of spatial scale. While these categories should not be reified, as they are evolving and largely relative social and economic formations (McKenzie, 1981:57), there are varying criteria which make one or the other more useful for understanding the form of the local state most appropriate for economic development. Urry has argued that the increasing international mobility of capital has increased the importance of localities - relative to regions - as it is on the level of travel-to-work areas that labour supply is available. The local social structure is thus the most salient unit of analysis in understanding the location of production. This has, in turn, increased 'the possibilities of alliance between all those resident within a locality whether their class position is that of capital, labour or an intermediate class' (1981:464-69; 1985:36).

If the role of regional production systems or industrial districts is emphasized over multinationals, the significance of the locality is even greater. Not only labour supply, but firms producing inputs or services within close proximity to one another, operate on the level of the locality. In the Third Italy, firms and the local population share a 'relatively restricted area', within which 'close social proximity...extends to all social opportunities within the space-time dimension of a working day'. Sforzi describes these 'functional boundaries' as a 'daily urban system', or more commonly, as the 'local labour market area' (1989:157). In creating the conditions for daily contact, as noted in section 2.5., the technology of communication is crucial - particularly in peripheral regions where distances between neighbouring communities can be so great (McKenzie, 371).

Localism thus challenges regionalism and class, as the basis of collective identity. Often dismissed as reactionary parochialism, localism can signify that there is 'a prize worth fighting for' (Larsen, 1983:22). Acknowledging that peripheral communities suffer conflicts over property, party, age and gender (Amin and Robins, 1990:24-25; Varley, 1988:7-9), does not diminish the fact - in light of uneven economic and social development - that the locality encompasses more shared interests amongst its residents than higher spatial levels. The smaller a local authority, the more representative it is of the local social structure (McKenzie, 1981).

'Human communities', where the population shares a 'sense of a common fate', however, do not always coincide with 'political communities', where they possess institutions with which to influence their fate (Park, 1974:12-13). How the political and administrative boundaries of the local state are drawn thus influences how local identities gain political expression.

Because the local state implements various services and programmes, what is technically the most appropriate area often conflicts with how the local 'human community' defines itself. Trigilia has argued that Italian communes are often too small to provide the resources and services necessary to confront international competition. He suggests that more effective regional governments are necessary to work on behalf of the local economy (1989:192-93). Moore has made a similar argument in the Scottish context concerning sectoral strategies which extend beyond the boundaries of individual local government units (1988).

Because local government has seldom been considered for an economic development role, regional bodies - both elected and appointed (such as the HIDB) - have often been established to promote regional development. Such regional authorities are less accessible to democratic participation, however (Smith, 1985:51), and higher spatial levels are further removed from the specific

requirements or demands of local social formations. This provides a convenient means for national governments to erode the local state as obstacle without direct confrontation with locally elected representatives (McKenzie, 1981:512; Duncan and Goodwin, 1988:248-52).

Another means to address these problems has been to amalgamate existing local government units. Sharpe contends that this can if fact enhance local autonomy, as combined units can pool administrative expertise and fiscal capacity, diminishing their dependence on central government (1979:14-15,37). With the exceptions of Italy and Greece, the number of municipal units has been reduced in this way throughout Europe since the 1950s (Smith, 1985:68-69). As noted by Magnusson, however, the constant reorganisation of local government to maximize efficiency of service provision 'must inevitably lead to a devaluation of the local polity'. He concludes that 'local autonomy will remain expendable so long as it is valued in terms of economic welfare'. (Magnusson, 1986:16-17).

For peripheral communities, however, stopping out-migration by generating economic activity is crucial for the very survival of the local polity. An economic development role for local government offers a potential resolution to the democracy-efficiency dilemma, as local labour market areas represent a common interest for all residents - at least those who must work for a living. As the lowest level of political authority, the local state has a direct interest in maintaining local population levels, which essentially constitute its power base. One means for the integrity of the local polity to be maintained, while addressing the need for higher levels of administration for some functions - including economic development - is through voluntary joint arrangements between local authorities, an approach Smith contends deserves 'far more attention' (1985:70).

Sidney and Beatrice Webb conceived of just such an organisation of local government. They saw the possibility for local political wards with elected representatives to appoint members to various service corporations according to

different efficiency requirements. Political units would thus be maintained while administrative units would vary from service to service, without losing political accountability for the wards affected. Magnusson dismisses this as too rationalistic, with little hope of neighbouring authorities agreeing on joint needs or sharing in costs (1986:13-14).

This is exactly how Italian communes have operated in promoting industrial development, however, and even British district councils have been able to co-operate in the maintenance of enterprise boards. In the province of Quebec, 'Regional Municipal Councils' have been established for economic development planning, with representation from member municipalities and shared administrations funded by the members and the provincial government (Quesnel, 1990).

Such co-operative measures need not be limited to external relations between local state bodies, moreover. Where local government areas are large or populations are great, decentralization can occur within the municipality. The establishment of 'neighbourhood councils' throughout North America and Europe has been described as a movement, although many such initiatives have been inspired by national government programmes, indicating yet another means to by-pass the lowest formal level of the state (Sharpe, 1979:21-23). Norwegian and Italian communes, among others, have nevertheless implemented their own decentralisation programmes, usually with neighbourhood representatives appointed on a party basis by the commune council (Kjellberg, 1979) - sub-local electoral legitimacy can be a threat to local councils just as it is to higher levels of government.

2.5.4 A Role for National Government

Calling for a lead role by the local state in the creation of regional production systems, finally, should not ignore the continuing significance of national

government. Despite its diminished ability to influence multinational corporations, few dispute the necessity of a continuing role for the national state in facilitating industrial development. Many of the determinants of competitive advantage remain under national control - tax policy and regulation, laws, capital market conditions, among others (Porter, 1990:158). Some of the success of the Third Italy is doubtless attributable to national deficit financing and demand management, and while the role of MITI has probably been over-emphasized in the rise to global economic supremacy of Japan, few question the importance of national institutions and policies there (Thompson, 1989:539-42).

Similarly, as strong as Canadian provinces are relative to most other forms of sub-national government, their development strategies are created within the contexts of national policies and international conditions (Brodie, 1989:155). Nolan and O'Donnell noted the danger of local initiatives competing with each other to the detriment of all. While dubious of their ability to confront the strength of multinationals, they suggested that 'a framework of national co-ordination and planning' was essential if they were to be developed within a broader context (1987:261).

Supporters of flexible specialisation also accept the necessity of national co-ordination and regulation, but this is taken in literal terms as a higher level of integration of locally conceived strategies. Rather than implementing national programmes delegated from above, local decision makers are the starting point for industrial policy, which 'ends with a role for the national by virtue of its power over law, tax, money and the foreign exchange' (Greater London Council, 1985:61-62; Tomlinson, 1989; Piore and Sabel, 1984:278-79). Sabel contended that unless a new system of macro-regulatory institutions - a mode of regulation - was developed to complement the new regime of accumulation based on flexible specialisation, industrial districts would develop in isolation from one another, without co-ordinating their sectoral specialisation and without support structures when their own industry experiences downturns or restructuring. While some

regions would no doubt continue to prosper, the division between rich and poor would broaden (1989:52-59).

As most industrial policy is currently dominated by national governments, however, it is clear that national measures alone are insufficient to diminish regional disparities. Indeed, as with the Canadian metropolitan-hinterland thesis, many argue that such disparities are in large part caused by national policies. Massey and Meegan, by insisting that it is impossible to separate geography from production, highlight that the same national policy can have different effects in different regions. Only policy that is sensitive to the organisation of production and how its relates to specific locations can respond to the fine grained needs of different contexts (1985:9). Oscarsson notes that in the Nordic countries, sectoral policies have had such uneven effects, leading to calls for territorial integration and co-ordination of national policies (1989:56-57).

The failure of regional development policies based on attracting in large-scale industries with grants, subsidies and infrastructure has led to a universal appeal for 'endogenous growth'. Based on efforts to generate development using resources and firms already located in peripheral regions, these policies have been adopted by national governments aware of the failure of previous efforts, as much as they have been promoted by peripheral communities. In some cases, local governments' economic development plans have overlapped with the creation of industrial districts, but there is increasing recognition that more strategic intervention requires increased devolution of legislative authority and financial and administrative resources (Allen, 1989:29; Oscarsson, 1989:56; Sjoholt, 1986; Spilling, 1985; Sabel, 1989:40-45; Piore and Sabel, 1984:301).

2.6 Conclusion

This chapter has outlined a theoretical framework to guide the process of analysis of local development structures and strategies in Newfoundland and Northern Norway. Because of the real world complexity of economic and political forces contributing to peripherality, a range of theories and international empirical evidence has been drawn upon.

A brief review of theories of industrial geography and international underdevelopment indicated the general significance of economic linkages as the basis of economically sustainable development. Such linkages are manifest in sectoral terms, bridging the economic gap between primary resource production and secondary manufacturing of inputs and outputs, and in terms of organisational linkages between firms.

The spatial implications of this necessary factor in economic development has traditionally been urban agglomeration and organisational concentration. A review of the contemporary debate on flexible specialisation and neo- or post-Fordism indicates that structural changes in the global economy may be opening niches which peripheral regions have economic and social advantages in filling. Not all versions of the emerging flexible production systems favour these regions, so it was necessary to identify what other forces are at work which facilitate their ability to capture linkages.

Advanced transportation and communication systems are an infrastructural prerequisite for the creation of inter-firm networks in areas of dispersed population. Where petty commodity production has been predominant, with family farms and fishing activities, the populations of peripheral regions may be predisposed towards the operation of their own SME's. Because such areas have been largely removed from Fordist production systems, moreover, many of the labour market rigidities identified with large-scale factories are absent. On the

level of both firms and labour, moreover, previous modes of production, regional identifications and shared concern for the development of the locality, may contribute a sense of trust derived from common interests and values. The continued importance of seasonal employment, occupational pluralism and the informal economy in such areas also provides a sense of common identity, acceptance of employment flexibility and economic support, with a lifestyle many view as socially and environmentally preferable to urbanisation.

These factors may only add up to a new form of external exploitation, however, if control of production - and with it, profits and specialised linkages - is maintained outside the region. The formation of consortia of locally-owned SME's and co-operation in joint service facilities is posited by supporters of flexible specialisation as an alternative institution of power to the large corporation. The achievement of the necessary balance of co-operation and competition, on this view, also requires strategic intervention by effective local state bodies. Third sector organizations may be effective where co-operative traditions or conditions exist, but such bodies are unable to implement development initiatives on the local level on behalf of all residents.

This is not only necessary to enable a relatively autonomous but democratically accountable body on the local level to arbitrate between conflicting interests within the community - which are inevitable when dealing with specific issues (despite any over-arching shared identifications) - but also to provide a local power base to oppose economic and political initiatives of higher levels of government which are not seen to be in the interests of the locality. The linkages necessary for sustainable economic development in peripheral regions must be won by confronting the forces which have combined to limit their generation historically. Reliance on national or regional institutions ignores the significance of production systems which operate - economically, socially and politically - on the level of the locality.

These factors can not simply be asserted as trans-historical truths applicable to divergent contexts without empirical investigation, however. The next three chapters analyze the particular experience of four sub-regions of Newfoundland and four North Norwegian kommunes. Chapter 3 demonstrates the common roots of peripherality in Newfoundland and Northern Norway. Dependence upon primary resource extraction and the inability to capture linkages from staple production were experienced by both areas. Different political cultures and institutional forms - locally and nationally - emerged through contrasting historical experiences, however, leading to divergent political and economic structures. The dynamic of economic underdevelopment nevertheless remains, evidenced by common economic disparities.

Chapter 4 details the institutional structures which evolved in each context. The political underdevelopment of Newfoundland, rooted in its colonial experience, continues in the current weakness of local government and the reliance in many rural areas on third sector regional development associations. The federal system of Canada adds further complications to local institutional forms. The conceptualization of the local state in Section 2.5 thus informs an analysis of the strengths and weaknesses of local decision-making bodies detailed in the Newfoundland and Norwegian cases.

Chapter 5 builds on this analysis of institutional forms to consider the economic strategies which have been implemented on the local level in both regions. Traditional approaches to development by local bodies, where there have been local initiatives at all, have seldom looked to the potential of inter-firm linkages and the creation of regional production systems. With the impediments of poor transportation systems in areas of dispersed population, combined with conceptions of development rooted in Fordist paradigms, this is hardly surprising. Efforts to attract public sector facilities and mobile private capital have nevertheless enjoyed some success, particularly when economic growth on the national level favoured such redistribution. Economic restructuring and fiscal

restraint have reduced the effectiveness of such efforts, except for those few areas enjoying entrepreneurial leadership and the right political stripe. Alternative strategies have included local self-reliance with the glorification of the informal economy and seasonal employment, direct involvement in production by local bodies, and efforts to leap-frog traditional conceptions of economic development to an entrepreneurial, locationally non-specific information age. These approaches have also had some success, but by ignoring the necessary condition of inter-firm linkages in the production of tradables, they have failed to overcome the chronic underdevelopment of Newfoundland and Northern Norway.

There are indications, nevertheless, that inter-firm networks, consortia and niche marketing, consistent with the experience of the Third Italy and the Jutland region of Denmark, are emerging in Newfoundland and Northern Norway. In some cases local agencies of the national state, or relatively autonomous local bodies, have instituted sectoral strategies, fostered inter-firm co-operation, or established joint service facilities. More often, though, private firms are responding to competitive pressures and technological opportunities to establish more flexible sub-contracting relationships and production for export of their own accord, without active local state intervention.

Chapter 5 concludes by exploring how local bodies can best be organized to reinforce these tendencies, which have proceeded haltingly as private sector enterprises grope towards the delicate balance of co-operation and competition. This balance is difficult enough to achieve in regions with well-developed economies. For peripheral regions, it will take a concerted co-ordination of economic and political structures and strategies to harness what are now only emergent possibilities for development. As has been outlined in this chapter, nonetheless, they are possibilities firmly rooted in causal forces revealed in theory and experience internationally. It is to the specific experience of Newfoundland and Northern Norway which we now turn.

CHAPTER 3

Historical and Policy Analysis of Regional Underdevelopment in Newfoundland and Northern Norway

3.1 Introduction

To understand the limitations and possibilities for local state economic development initiatives, it is necessary to delineate the roots of the economic and political forces they face. As outlined in Chapter 2, regional underdevelopment cannot be attributed a priori to one process or factor alone. Rather, different processes can be identified that combine to produce underdevelopment in different contexts. The degree of environmental, social and political variation existing within and between nations, demands that the historical and contemporary manifestation of these forces be specified in each regional context. It is in large part because such variations also occur on a sub-regional basis, that local economic decision-making is seen as necessary for regional development. Until recently, however, virtually all regional development policy has been implemented by national or provincial states. As will be seen, these have had little success in the case of Newfoundland and Northern Norway. Any differences in the policies implemented in these two contexts, and the differing forces which generated them, may help point to some of the underlying constraints to development.

The roots of these regions' underdevelopment, though, can be traced to long before the advent of regional development policy. The early histories of Newfoundland and Northern Norway differ significantly, particularly in the evolution of political institutions. Newfoundland's colonial beginnings contrast greatly with the frontier of Northern Norway. While both were rooted in the fishery, with consequent dispersed populations, seasonality and occupational pluralism, and susceptibility to market fluctuations, the manner in which they dealt with these factors was conditioned by their institutional and cultural context. Nevertheless, the fishery

remains the backbone of each economy, and they both have become economies which can only survive with continued support from national transfer payments and subsidies. In the uncertain conditions of global economic restructuring, both national governments are placing more emphasis on fiscal restraint and international competitiveness. The continued existence of Newfoundland and Northern Norway as viable communities is truly under threat. Whether they survive will depend to a great extent on their ability to discern the forces which have put them in this position.

3.2 Newfoundland and Northern Norway to World War II

The origins of settlement in Newfoundland and Northern Norway are rooted in the fishery, especially cod. Despite a mountainous landscape, little cultivatable land and a harsh climate, the three fylke which make up Northern Norway have been settled continuously for over 800 years. The island kommune of Vega in Nordland fylke has archaeological finds dating back 9,000 years. The pre-eminent scholar of North Norwegian development, Ottar Brox, has suggested that the region has been a frontier for 1,500 years. For any person without land or property, it offered 'grass for the cow and fish for the pot', and the cash needed by every peasant household was easier to get out of the large seasonal cod fisheries than on the southern labour or farm product markets (Brox,1988:11).

Until relatively recently, in fact, fishermen saw little cash as their fish was traded with merchants in Bergen on credit, for necessities that could not be produced locally . Most traditional fisheries were seasonal, as fish stocks migrated during phases of their life or yearly cycle. Fishing was thus combined with subsistence farming, and the household formed the unit of production (McKenzie, 1981:31). From about 1750 to the Russian Revolution in 1917, the Bergen trade was supplemented by the Pomor trade with Russians from Archangelsk (Sjoholt, n.d.:2). Sommaroy, an island community in what is now Tromso kommune, was first settled in 1610 as a pilot station for ships trading in the area. Residents did not start

fishing from there until the 1850s, and Marciniak reports that from 1906 to 1914, fish and fish oil were traded with 'the Pomorses' for corn and timber (1988:12-14).

The attractiveness of North Norway for settlement during this period is indicated by the fact that it contributed less to out-migration to North America than any part of Scandinavia. In the 1880s, 200,000 Norwegians - 10 percent of the population - emigrated, a percentage second only to Ireland. Yet, Northern Norway was attracting immigration from Finland, and many of those who did leave the region returned within five to ten years (Brox, 1988:11; Bergh, et al.,1980:51; Wika,1975:11). Many new settlements had been founded in the 1860s with the sale of crown lands, and a railroad construction and mining boom followed which brought in migrants who turned to the fishing-farming combination when the boom finished. The Great Herring Fishery of the 1880s enabled many fishermen to pay off their debts to Bergen merchants and purchase freehold ownership of their land (McKenzie, 1981:31,64; Financial Times, 21 May 1990).

In contrast to the early history of the North Norwegian frontier, Newfoundland's beginnings were rooted in the colonial experience. Consistent with Innis' staples thesis, the initial economic and social organization of Newfoundland was determined by the demands of resource exploitation for export. English West Country fishermen conducted a ship fishery on the Grand Banks from before 1500. The merchants who controlled this fishery successfully lobbied the British Crown to enact laws prohibiting settlement, to prevent competition from a resident land-based fishery. The fishermen and their families who settled the isolated coves and islands which ring Newfoundland's 6,000 miles of coastline did so without property rights or rule of law - the margin's development was distorted to meet the staple requirements of the imperial centre (Alexander, 1983:110-11; Clement,1989:38; Economic Council of Canada,1980:3).

The same limitations applied to the 'French Shore' of Newfoundland, which extended from the Great Northern Peninsula to the southwest corner of the island.

By the Treaty of Utrecht in 1713, France admitted British sovereignty over Newfoundland, but on condition that it preserve exclusive use - but not settlement - of this stretch for French fishermen. The Great Northern Peninsula is perhaps the section of the Island of Newfoundland which most resembles North Norway, with the Long Range Mountains running the 400 mile length of the peninsula, to the narrow Straight of Belle Isle, which separates the island from Labrador. A Viking settlement dating from 1000 A.D. has been excavated on the tip of the peninsula, and shore stations had been established by Basques and Bretons on the Labrador side of the Strait for cod fishing and whaling in the 1500s, but no permanent settlements were established. Before them, Dorset Eskimos and Maritime Archaic Indians had inhabited the region for thousands of years, while further south on the island, Beothuck Indians were preserved from extinction only until English settlement became firmly established (Sinclair, 1989:4-7; Crosbie, 1956:333).

Contrary to what the staples thesis would likely predict, settlement continued despite legal and institutional impediments. While an off-shore 'banks' fishery continued in some areas, and a migratory fishery was established 'to the Labrador', the ship fishery from England was replaced by a resident inshore cod fishery, just as had always been pursued in North Norway. A hierarchy of merchants linked by lines of credit was established from local retailers to international exporters, importers and wholesalers located primarily in St. John's. Households formed the unit of production as the seasonal fishery was combined with subsistence farming, cutting wood and harvesting wild berries and game. Men also worked for wages in the off-season in the sealing, whaling and shipping industries, or migrated temporarily to Canada or the United States. Alexander maintained that the 80 percent of the Newfoundland labour force employed in the fishery in the last decade of the nineteenth century enjoyed 'a standard of living in conjunction with other sources of income which was not particularly inferior or less stable than that enjoyed among working people elsewhere in the western world'. In this context, credit, rather than enslaving fishermen, acted as the essential interface between

formal and informal economic activity, providing the essential inputs which could not be produced locally (Alexander, 1983:32-33; Overton, 1978:107; House, 1983:41-43; Ommer, 1989: 3-7,12-13).

When Newfoundland was granted Dominion status with the establishment of responsible government in 1855, however, its political and financial elite - essentially one and the same - turned inland for investment opportunities. Replicating the Canadian National Policy of the same period, from the 1870s to 1895 the Newfoundland government attempted to diversify the economy away from a single export. Railways were constructed with foreign funds, agricultural settlement was encouraged to diversify the resource base and increase the domestic market for manufactured goods, and tariff protection was put into place for such goods as footwear, tobacco, textiles and cooperage. By the mid-1890s, however, diversification and import substitution were failing - as they had in Canada until the wheat boom at the turn of the century. Newfoundland's agricultural land was marginal compared to that attracting waves of immigrants to the prairies, the small domestic market and the absence of an industrial tradition limited manufacturing prospects, while tariffs raised the cost of living and the government was burdened with debt from infrastructure construction (Overton, 1978:108-9; Newfoundland. Royal Commission, 1986:41-42; Alexander, 1983:7-9).

Relative to Newfoundland, as a country, Norway enjoyed a diversified industrial structure - by 1890, 44.7 percent of the population was employed in non-primary sectors (Elder, Thomas and Arter,1988:36). While Northern Norway was dependent on the fishery, then, it was not expected to simultaneously expand into other resource exports and secondary manufacturing. As in Newfoundland, foreign investment was relied upon for construction of the railways in Norway, but it also went into new revenue creating industries in the manufacture of fertilizers, aluminium, steel and chemicals, using Norwegian water power. These were in

addition to the already-established pulp and paper, canning and ship-building industries (Fagerberg,et al.,1990: 62).

Beginning in the 1880s, therefore, capital from other sectors was available for investment in the Norwegian fishery. By the turn of the century, new refrigerating facilities were being introduced - allowing diversification into fresh and frozen fish and more species - and larger, mechanized vessels were used. As a result, in an expanding market at the turn of the century, Newfoundland's fish exports were surpassed for the first time by Norway's. What increases that did occur in Newfoundland's production were achieved through expansion in the number taking part in the traditional fishery, not through increased productivity (Sjoholt, n.d.:3; Brox, 1988:14; Alexander, 1983:11-15).

The failure of Newfoundland to match the innovation and investment of its competitors during this period is seen by many as 'the origins of Newfoundland's underdevelopment' (Sager,1987:130). If there was one sector where Newfoundland had a comparative advantage it was the fishery, where it had the 'lowest cost access to the largest supply of cheap protein in the world' (Newfoundland. Royal Commission, 1986:42). It remained under domestic control, with most returns kept within the province and had 'better linkage prospects' than foreign-controlled enclave industries (Alexander, 1983:33).

With an organization of production which separated production and processing from marketing and capital accumulation, however, the Newfoundland industry was unable to respond to the introduction of new technologies and the expansion of markets. Fishermen operating on credit and the informal economy did not have the means to invest, even if they knew of the opportunities. Newfoundland merchants, who had the market knowledge and capital, did not see the fishery as an industry to invest in. Rather, cod served as a form of currency to be taken in exchange for imported commodities; wholesale and retail was the business of Newfoundland

merchants, not fisheries production (Alexander, 1983:15-16; Overton, 1978:106-109; Sager, 1987:130-31)

The one means to overcome such entrepreneurial and organizational deficiencies, government intervention, was hindered in the Newfoundland context because the St.John's business elite was the political elite. The one effort to create an integrated, modernized fishery operation, Sir William Coaker's Fishermen's Protective Union, ultimately failed because of merchant and political opposition (Wadel, 1969:24-25; Overton, 1978:109).

In an effort to discern the roots of this failure to take advantage of new opportunities, Alexander pointed to the fact that 32 percent of the Newfoundland population was illiterate in 1891, the worst rate in the western world outside southern Europe. 'There was no country responsible for its affairs and the progress of its people' he maintained, 'which drew upon such a meagre supply of people for its entrepreneurial, managerial, and administrative requirements'. Differences in education and information also bred an 'unwarranted deference' amongst the mass of the population, while the elite maintained a 'selfish noblesse oblige'. Thus, any popular pressure or political debate to point to the need for investment in the dominant industry of the country was absent. The religious culture of Newfoundland, often dividing neighbouring towns by their Irish Catholic and English Protestant majorities, can also be seen as an inhibiting factor in the development of a class or regional oppositional base (Alexander, 1983: 6,15-17,111-17,135-37; Neary, 1969:43).

In Norway, by contrast, while investment in the 1800s came primarily from the private capital generated elsewhere in the Norwegian economy, by the end of the century the state was taking the lead. The high literacy levels common throughout the Scandinavian countries no doubt had a positive influence on this action, and religious divisions were not a factor because of the omnipresence of the Protestant State Church (Alexander, 1983: 116-17; Barthelemy, 1990:481-82), but

the political structure of Norway - also significantly advanced compared to Newfoundland - must be seen as decisive.

While the Kingdom of Norway dates back to around 900 A.D., the country came under Danish rule from 1380 to 1814. Until 1905 Norway was united with Sweden, but the constitution of 1814 granted it effective autonomy over its internal affairs. The 1814 constitution reflected the dominance of primary production and the strength of the rural population at the time, as rural areas were guaranteed twice the representation of urban areas in the national parliament. By the 1830s, as will be discussed in Chapter 4, a high degree of local government autonomy was also attained by peripheral populations (McKenzie, 1981:72; Fagerberg, et al., 1990:61; Barthelemy, 1990:481). Unlike Newfoundland, the business and political elites were not one and the same in Norway, and even if they were, peripheral regions maintained the political strength to pressure for reforms in their interests. Nowhere is this more apparent than in the development of the fishery.

It was just as the Norwegian fishery was being identified by private investors as an attractive opportunity in the last decades of the nineteenth century, that the Norwegian Labour Party was founded as an alliance of urban working classes and peripheral fishermen and farmers. General male suffrage was won at the same time, and political mass mobilization took place in North Norway opposing the outside investment in the fishery that was taking place and using the Labour Party as a means to put the national state to work in the fishermen's interests (McKenzie, 1981:72-73; Brox, 1988:14; Fagerberg, et al., 1990:62).

By 1930, the formation of the State Fishing Bank provided fishermen with the means to invest in new equipment and the national government helped form the first fishermen's sales organizations. In the 1930s, after the price of fish declined by 75 percent, a complete sector policy was developed to give fishermen control of the industry from harvesting and processing to export and marketing. The Raw Fish Act of 1938 gave the fishermen's sales organization a legally-protected

monopoly on the sale of fresh fish, including the setting of minimum prices. By the 1960s, as a direct result of this Act, Norwegian fishermen received five times the price for cod fillets that Newfoundland fishermen received, for the same North American markets. (Brox, n.d.(a):4; Jentoft and Mikalsen, 1987:218-19; McKenzie, 1981:80-83; Marciniak, 1988:43-46).

The Newfoundland government's attempt to replicate the Canadian National Policy had left it greatly in debt, affording little financial leverage to intervene in the fishery even if it had wanted to. After 1894, moreover, banking in Newfoundland consisted of branches of Canadian banks which invested their funds in central and western Canada where higher profits were to be made. Lacking the necessary capital as well as the entrepreneurial or political will to invest in the fishery, the Newfoundland government pursued foreign corporations and investors to develop the country's mineral and timber resources. Concessions on taxes, royalties, import duties and occasional subsidies meant that few benefits accrued to the government. With little Newfoundland participation, any industrial linkages were lost to overseas, and little local management ability developed. A domestically owned and controlled one-product export economy was replaced by a largely foreign owned and controlled three-product economy (ibid.,7-10; Newfoundland. Royal Commission, 1986:42-43; Overton, 1978:106).

In the process, a legacy of single-industry towns was created which continues to structure the economic complexion of many regions of the province. In the forest industry, a Scotsman named Lewis Miller founded Millertown in the interior in 1900 with a sawmill operation which shipped its lumber, via the railway, from Lewisporte in Notre Dame Bay to Europe. The mill closed after only three years, though, and his timber rights were later taken over by the British controlled pulp and paper mill established in Grand Falls, one of two started before 1910. The other was in Corner Brook on the west coast of the island. Several mining towns were also opened in the early decades of the century, including Buchans - near

Millertown - in 1928, under American control (Buchans Community Futures Committee, 1987:2-3; Overton, 1978:108).

Newfoundland's neglected fishery continued to suffer, as the increased competition in the post-war period saw the country's share of world cod landings decline to 49 percent in 1920 and 37 percent in 1930. Ironically, the development of new resource industries complemented the traditional adaptations of the rural household economy, enabling families to combine fishing with other activities. Logging in winter provided cash income during a period when the fishery on the north-east coast came to a standstill because of ice-filled bays. Some mines operated two seasonal shifts: one worked the mine in summer and cut wood in the winter; the other fished in the summer and mined in the winter (Overton, 1978:108-10).

While this provided a level of subsistence in rural Newfoundland, net out-migration between 1884 and 1945 was between 65,000 and 100,000 people, leaving a total population in 1945 of 321,819. During the Depression the cash-poor government, further impoverished by its contribution - in true colonial fashion - towards the war effort and support of the Empire, could ill-afford the increasing numbers on poor relief. By 1934, rather than default on its loans, the country relinquished responsible government and Britain took over its debts and installed a Commission of Government consisting mainly of British civil servants (Alexander, 1983:33; Newfoundland. Royal Commission, 1986:43-44; Neary, 1969:43; Government of Newfoundland and Labrador, 1988: Table A-1).

In stark contrast, many North Norwegians returned from the south, and even North America, during the Depression to subsist on their family holdings. In what Brox and Tesli have referred to as the first instance of Norwegian regional development planning, the national Labour government provided grants for construction and tools for the farming and fishing industries in 1935, reinforcing the economic viability of peripheral populations. The organizational changes established in the

fishery during this period would see increasing occupational specialization to take advantage of the economic gains to be had. The 1938 Raw Fish Act, Brox has argued, 'turned peasant fishermen into entrepreneur fishermen, and generally eliminated poverty in North Norway'. (Brox and Tesli, n.d.:6-9; Brox, n.d.(a):4).

By the outbreak of World War II, then, Newfoundland had gained and lost the status of an independent Dominion within the British Empire, because it could not overcome the political and economic limitations of its colonial beginnings. Where it had potential to develop an industry under domestic control, the organization of production and political and entrepreneurial failure combined to prevent investment and innovation. Subsequent reliance on foreign investment to develop the forest and mining industries only served to enmesh the country in a new form of dependent relation and staples trap. The consequent economic vulnerability led to political vulnerability, and the return to colonial status.

Lacking the impediments of such colonial roots, Northern Norway benefited from early local autonomy, and as part of a more diversified national economy, could draw on domestic capital generated elsewhere in the country. Because of a political system designed to respond to the needs of the periphery, moreover, it could gain the political influence to insure that this investment could be channelled to local control. National measures also enabled the integration of production necessary for the fishery to be seen as a sector to be developed, not only as a means of subsistence and medium of exchange. An interval of political independence provided little benefit to Newfoundland compared to the seemingly assured future prosperity of Northern Norway. Political autonomy, without the resources or capacity to exercise it effectively, was of dubious benefit.

3.3 Post-War Regional Development Policy: Centralization and Modernization

Under the guidance of its British Commissioners, the Commission of Government reorganized and modernized Newfoundland's civil service and put the wayward colony's accounts in order. In terms of economic development, the Commissioners saw the need to develop the fishery by concentrating populations in a limited number of centres where freezing facilities would be established, and to expand agricultural production to absorb some of the surplus population dependent on the fishery (Alexander, 1983:19-20). While little was done on the former initiative - for now - the Commission did sponsor 'land settlements' to make farmers out of fishermen. One such settlement was established in what is now Pasadena, near the west coast mill-town Corner Brook. By the end of the 1940s, however, few farms remained. Full-time farming required more traditional and scientific knowledge than subsistence plots had, and with the outbreak of World War II, more attractive employment possibilities were generated (Pasadena Economic Development Committee, n.d.: 2-3).

Newfoundland's strategic location resulted in an influx of Canadian, American and British military spending during the war. For the first time a substantial cash economy was created across the island, employing up to 25 percent of the labour force. A new type of single-industry town was formed around the military bases, and in the case of Gander - inland and east of Lewisporte - as an international airport town. While the spending diminished after the war, the expectations of the population did not, paving the way for Canada to step in as Britain went through its period of decolonization. (Thompson, 1987:4-5; Overton, 1978:110).

Joseph R. Smallwood waged the campaign for Newfoundland's membership in the Canadian Confederation as a populist fighting the vested interests of the St. John's merchant class - 'the thieves of Water Street'. Not surprisingly, most of his support came from the outports, where the promise of federal social welfare programmes appealed to the cash-poor inshore fishermen. It nevertheless took two referenda before 52 percent of the electorate voted in favour of joining, and

Smallwood was elected Premier of the tenth Canadian province in 1949. The 'thieves of Water Street', contrary to their own expectations, did very well by Confederation as they rushed to become agents for Canadian products. The removal of tariffs and the establishment of transport subsidies enabled Canadian manufactured goods to sweep aside what small-scale local manufacturing had developed. The influx of federal transfer payments and transitional funds more than compensated, as consumer spending expanded like never before and unprecedented profits were made in wholesale and retail (Overton, 1978:110-12; Alexander, 1983:68; House, 1983:20).

On the strength of federal funds, Smallwood set out on a massive scheme of modernization and industrialization. Infrastructure alone - highways, schools, hospitals, rural electrification - induced significant economic activity throughout the 1950s and 1960s, creating another source of seasonal employment in all parts of the province. Because service provision was more cost effective where populations were concentrated, a 'Centralization Programme' was initiated in 1954 providing financial assistance to households willing to move from isolated settlements to centres with better access to public services. The programme was extremely divisive, as assistance was only provided where every household in the community agreed (by petition) to move (Overton, 1978:111; Wadel, 1969:7).

In many cases, the choice of where new infrastructure was established also changed the geography of the province. Lewisporte, which only became a regional centre at the turn of the century when it was designed as a railway terminal and port, lost trade to Grand Falls and Gander when it was by-passed by the main highway. As the terminus for the ferry to Labrador, nevertheless, it retained a specialized function as a distribution centre. For Port au Choix, the main fishing port on the Northern Peninsula, the opening of the highway is marked as a watershed in changing the way of life of the area, ending the total isolation felt previously. And for every coastal community connected to the expanding road network, peninsulas replaced bays as the focus of community interaction (Copes

and Steed, 1975:97-8; Interview (Hereinafter 'Itv.'), Town of Port au Choix, Town Clerk; Fuchs, 1985:3; Economic Council of Canada, 1980: 16-16,156).

Reminiscent of the first 'Newfoundland National Policy' of the 1870s and 1880s, Smallwood's 'develop or perish' industrialization drive during this period also attempted to diversify away from the fishery into import substitution manufacturing. Having isolated himself from local business, and noting their unwillingness to invest their 'millions' in 'basic productive industries to strengthen the fundamental economy of the province' (cited in Alexander, 1983:21), Smallwood utilized government ownership and foreign capital to establish a variety of manufacturing enterprises throughout the province. Consistent with the lack of local political development in Newfoundland, the location of these industries had more to do with Smallwood's own political calculus than any economic rationale. Little regard was given to what modest agglomeration economies could be gained in the location of plants and infrastructure (Copes and Steed, 1975:98-99), and most of the enterprises established consisted of outmoded German factories that had been dismantled as part of post-war reconstruction (Bassler, 1986). It is not surprising that a quarter of them failed within five years, with the rest propped up by government subsidies.

Just as foreign-controlled resource development followed failed import substitution at the turn of the century, so too did Smallwood's development efforts change in 1956 when the cash surplus from Confederation was expended. Substantial temporary employment and more limited long-term employment was generated in the construction of a linerboard mill and oil refinery on the island and iron ore mines and the massive Churchill Falls hydro-electric plant in Labrador, but subsidies and tax concessions used to attract external capital meant that few fiscal linkages went to the Newfoundland government. With majority control of all these projects resting outside Newfoundland, few other linkages or spin-offs stayed in the province (Newfoundland. Royal Commission, 1986:45-48).

If Newfoundlanders were unwilling to consider the fishery as a positive investment and development opportunity, and if political opportunism took the place of strategic economic intervention in other sectors, then perhaps their new status as Canadians would make a difference. The need to address regional underdevelopment in Canada first took the form of tax sharing arrangements between the federal and provincial governments in 1957. The equalization programme was established as one of the central tenets of Canadian federalism to ensure that provincial governments had sufficient fiscal capacity to provide comparable levels of public services to all Canadians. A year later, though, the Royal Commission on Canada's Economic Prospects called for federal policy to go beyond these compensatory programmes, to implement developmental programmes to address the causes of regional disparities. A never-ending series of national development initiatives followed, beginning with rural development policies administered by existing government departments, with sectoral rather than regional orientations. (Canada. Royal Commission, 1985:181-97,208; DeWolf, McNiven and McPhail, 1988:318-19; Savoie, 1987:21-18).

One example of these attempted to address Newfoundland's neglect of the fisheries, combined with an effort to generate agglomeration economies, while building on an existing provincial programme. In 1965, the federal Department of Fisheries joined with the provincial government in its 'Centralization Programme'. The 'Federal-Provincial Newfoundland Fisheries Resettlement Programme' shifted the emphasis of resettlement from concentration of population for service provision to promoting the 'rationalization' of the fishing industry. The percentage of households in a community required to support resettlement was lowered from 100 to 80 percent, financial incentives were increased, and most importantly, households were required to move to one of several designated 'fishery growth centres'. As stated by Copes and Steed, the goal was 'to move population from unproductive inshore fishing communities to the deep-sea trawler ports that offered opportunities for much greater fishermen's incomes' (1975:101-2).

Under the federal division of powers in Canada, the national government is responsible for management of the fish stocks, while the province has jurisdiction over harvesting and processing: the fish in the water is federal; the fish in the boat is provincial. While the provincial government had provided funds for the establishment of freezing plants in the late 1950s and early 1960s, the total quantity of fish landed declined. Little advance had been made in Newfoundland's harvesting ability, which still relied primarily on small boat inshore fishermen. At the same time, other countries were fishing the Grand Banks in advanced off-shore trawlers with massive harvesting capacity. The federal government, viewing the fishery as archaic and of little national significance, did little to police foreign over-fishing and stocks were being depleted (Overton, 1978:112-13).

The Fisheries Resettlement Programme was part of the first federal efforts to increase the Newfoundland off-shore sector. Problems were encountered in attracting fishermen to work on the off-shore trawlers, though, as pay was low and conditions harsh. With federal social welfare programmes, moreover, the household economy in rural areas was more viable than ever. Resettlement was intended to overcome these 'inefficiencies in labour adjustment', but as noted by Wadel at the time, it led to over-population of the fisheries centres, particularly when jobs created by the initial boom in infrastructure construction subsided. Removed from their outport communities, where subsistence provisioning could complement formal employment, many families were in fact worse off in the new centres (Richling, 1985:239; Wadel, 1969:33-34,124-25).

These limitations did not deter the provincial and federal governments in their resettlement efforts. Indeed, in 1969 the newly created federal Department of Regional Economic Expansion (DREE) explicitly adopted the 'growth pole' theories of French economist Francois Perroux. These dovetailed perfectly with the existing resettlement initiatives and DREE took over the programme from the Department of Fisheries. Additional Fisheries Growth Centres were designated, including Port au Choix and St.Anthony on the Northern Peninsula, but more

significant was the extension of the programme to industrial development 'Special Areas' outside the fishery. Included amongst these were the areas from Port au Choix to neighbouring Hawkes Bay, Corner Brook to Pasadena on the west coast, and a triangle of communities stretching inland from Grand Falls to Gander and out to Lewisporte on the coast. Under the jointly funded federal-provincial Special Areas Agreements, highways, water and sewer systems, schools and servicing of industrial land were covered in the designated areas. Industrial parks were established in several regional centres along the route of the cross-provincial highway and industrial incentives grants were provided to encourage firms to locate in the areas (Savoie, 1987:218-20; Canada. Royal Commission, 1985:209; Newfoundland. Royal Commission, 1986: 49; Copes and Steed, 1975:102-4).

Resettlement efforts and growth pole development strategies were not limited to Newfoundland during this period. The war-time experience of North Norway differed dramatically from Newfoundland, as settlements in North Troms and Finnmark were virtually destroyed by retreating German forces. Five years of Nazi occupation in Norway created a strong sense of national unity, which found expression in the 1945 Programme of National Recovery. For North Norway, the Exile Government in London intended to replace the scattered villages with a system of well-planned towns. The population would be invited to move into serviced towns on the alluvial deposits at the end of large fjords, facilitating a further transition to large, seagoing trawlers. As noted by Brox and Tesli, however, a plan conceived with no representation or influence by the people affected was simply ignored. The rural population, strengthened by the institutional reforms of the 1930s, had the material means to reconstruct their communities and return to their pre-war way of life, and the political strength to have the plan dropped (Sjoholt, n.d.:3; Fagerberg, et al., 1990:64; Brox and Tesli, n.d.:7-10).

Efforts to further modernize the fishery were not dropped, and the national government, working with the fishermen's organization, provided funding to

increase freezer capacity in processing plants. In the five years after the war, over one hundred fishing co-operatives were established in North Norway to operate these facilities under the control of local fishermen, with government assistance. To ensure an adequate supply of fish to the processing plants, funds were also provided to fishermen, together with local processors or often the kommune, to purchase off-shore trawlers. These modernization efforts, while increasing the efficiency and competitiveness of the Norwegian fishery, led to a massive decrease in the number of fishermen. From some 86,000 in 1948, there were just 61,000 in 1960, and by 1980, under 35,000. Increased year-round fishery employment, higher incomes and greater expenses for individual fishermen also meant a reduction in the fishing-farming combination. From 19.5 percent in 1948, 54.3 percent of Norwegian fishermen listed the fishery as their sole occupation in 1978 (McKenzie, 1981:44,91-99; Royal Norwegian Ministry of Foreign Affairs, 1985:6; Marciniak, 1988:39-40).

By the late 1950s, many fisheries co-operatives were failing. Although their formation was encouraged by the Labour Government in power for most of the post-war period, the National State Bank was demanding profitability, which often saw co-operative principles sacrificed to the balance sheet (Otnes,1975; McKenzie, 1981:104). The influence of the peripheral population over national policy did not seem to be sufficient to control post-war pressures for economic modernization. Like most Western European countries after 1945, planning was guided by the economic orientation of the Organization for Economic Co-operation and Development (OECD) (Olsen, 1983:100).

This was clearly reflected in the 1952 North Norway Plan, which provided tax incentives and loans to firms willing to establish or expand manufacturing facilities in North Norway. Initially conceived as a means to increase productivity levels in the three northernmost fylke, in 1961 the programme was extended to the entire country with the establishment of the Regional Development Fund (Distriktenes Utbyggingsfond). This has evolved into the primary Norwegian

regional development programme, with the level of grants and loans available dependent on the degree of underdevelopment by region. North Troms - which begins at Lyngen Kommune where the German devastation began - and Finnmark, receive the maximum available in the country, while South Troms and Nordland receive the next highest. Not unlike DREE in Canada, but preceding it by a decade, the Regional Development Fund extended grants to establish industrial estates and to cover infrastructural improvements linked to development projects. It also included funding for kommune-owned leasehold factories, although Bukve maintains that the national government's regional policy saw no place for kommune directed development initiatives - a point that will be taken up again in Chapter 5 (Brox and Tesli, n.d.:10-16; Sjoholt, 1987:278; Distriktenes Utbyggingsfond, 1989:56; Bukve, 1986:243).

Growth poles also came into fashion in Norway before they reached Canada, when the national government proposed consolidating kommunes into larger regions, with a 'growth centre' specified in each. Once again, peripheral opposition succeeded in having this plan dropped, but the 1960s nevertheless saw the number of kommunes in North Norway reduced from 120 to 90 as a result of amalgamations. These centralizing tendencies came to a head in the North Norway Plan of 1972, one of five such plans developed for different parts of the country, which called for the creation of 'centred regions' in North Norway, with all investment subsidies - other than those for fishing and agriculture - channelled to the growth centres. National funding was to go towards housing in these centres and grants provided to rural-urban migrants. The Plan considered 'any attempt at maintaining the present settlement structure as unrealistic' (Brox and Tesli, n.d.:7,11-12).

3.4 Peripheral Viability in the 1970s?

The 1972 North Norway Plan was consistent with the repeated efforts by the national administration to implement centralization and modernization strategies since the war. The political strength of peripheral regions had succeeded in having formal adoption of such policies rejected, but the integrity of rural communities was nevertheless under threat from declining employment in the fishery. There was a steady population decrease in sixty North Norwegian kommunes in the 1960s, and the growth in regional centres was not enough to compensate. It is surprising, then, that when the 1972 Plan was discussed by the Storting in 1974, after it had been opposed by kommune and fylke councils the year before, it was rejected outright. National regional development policy subsequently dropped its two central goals - the creation of a mobile labour force and the concentration of regional policy support to regional centres. Despite its apparent weakening, largely as a result of government policy, the existing settlement pattern was accepted as 'given' (Aarsaether, 1978:1-2; Brox and Tesli, n.d.:7,13-14).

To understand this dramatic about face in national development policy, it is necessary to situate this decision in the context of the economic, political and ideological forces operating at the time. While fisheries policy and explicit regional development policy were gradually undermining the economic viability of rural communities, programmes with 'implicit regional policy effects' were simultaneously reinforcing peripheral kommunes. The post-war expansion in education, health and social services resulted in large investment programmes on the kommune level. These had the largely unintended regional policy effect of creating substantial new employment even in remote kommunes. By 1970, 28 percent of national service sector employment and 31 percent of public sector employment was in rural areas. In many peripheral communities the kommune administration became the largest employer, as implementation of the new social programmes was delegated to local government. The reduction in the number of kommunes in the 1960s also served to concentrate the political strength of the enlarged kommunes. Consequently, employment decline in the primary sector was

partly compensated for by more jobs in the service sector, and increased importance of kommune government provided increased political influence. A national plan which called for selective development of a few kommunes was not surprisingly rejected by the majority (Berg, 1987:168-9; Aarsaether, 1978:3; Brox and Tesli, n.d.:5).

Complementing these material factors were powerful ideological forces at work in Norway in the early 1970s. A fundamental debate occurred over whether Norway should follow Britain, one of its major trading partners, into the European Community. Both the Conservative Party and the governing Labour Party were in support of membership, but an anti-EC alliance of farmers and fishermen, urban industrial workers and 'radicalized sections of the urban intelligentsia, students and new middle classes' emerged as a grassroots 'People's Movement against the EC'. This mixed coalition has been seen to represent a rejection of 'the postwar Fordist model of mass consumption, productivity-linked growth of real wages, rationalization of the labour process, and greater efficiency of the primary sector' (Fagerberg, et al., 1990:69-70). The newly-opened University of Tromso became an important agent of this 'neo-populist ideology' (Aarsaether, 1978:2). Attacks on the living conditions of rural communities were posed as attacks on industrial workers, as the more farmers and fishermen who had to migrate to the cities, the weaker the position of labour there (Brox, n.d.(b): 3-4). When the Labour Party lost the 'Vote Norway In' campaign in the national referendum in 1972, it had no choice but to re-evaluate its centralisation-modernisation policies when it formed a minority government the year after.

In the wake of the agonizing EC debate, national commitment to preserving peripheral communities and the rural way of life was unanimous (Brox, n.d.(b):3), and the new-found national wealth that came with the discovery of oil provided the financial means to support it. Between 1972 and 1980, oil jumped from 0.1 percent of Norwegian exports to 35 percent. While sharing many of the characteristics of other enclave resource industries, Norway was successful in

directly intervening in oil production through the state owned oil company, Statoil. Deliberately created to enable national control of the Norwegian oil sector, Statoil provided fiscal autonomy from private oil companies and a means to draw revenues directly into the state treasury (Fagerberg, et al., 1990:70; Visher and Remoe, 1984).

Oil funds, combined with the reversal in regional policy goals, contributed to making the 1970s 'the districts decade' (Itv. Reiersen, 31 May 1990). In 1975 what Brox and Tesli have termed the 'Provincial Plans' were established, delegating all regional planning to the kommune and fylke councils. For the first time, fylke councils were directly elected, rather than composed of kommune representatives. The Regional Development Fund became the major development tool of the fylkes, although most programmes were adapted to the kommune structure. Development of kommune centres replaced regional centres and increased expenditure in health, social services and education created even more jobs in the service sector, particularly for women (ibid.; Brox and Tesli, n.d.:7, 13-14; Larsen, 1982:1-3; Berg, 1987:168-69).

As will be seen, these initiatives prompted a growth in kommune administration both to implement national programmes and to lobby for more national and fylke expenditure. As one of the privileged developed countries typified by OECD membership, Norway was not immune - and indeed, was a leader - in adopting the modernization policies of the post-war period, but its long-established responsiveness to the needs of its peripheral population provided an effective counter-balance.

The resettlement programme in Newfoundland also provoked an ideological and institutional backlash, but on a strictly local rather than national level. The federal and provincial response, consequently, was extremely muted. The provincial Centralisation Programme from 1954 to 1965 resulted in the abandonment of 110 communities and the relocation of over 8,000 people. With

federal assistance, a further 119 communities were abandoned and 16,114 people moved to specified growth centres by 1970 (Andersen, 1986:28). Not unlike the role played by the University of Tromso in the EC debate, the Institute of Social and Economic Research (ISER) at Memorial University of Newfoundland highlighted the contradictions of the resettlement programme in a number of studies of the rural economy and the effects of centralisation strategies (DeWitt, 1968; Wadel, 1969).

What the ISER studies documented, and popularized in the process, was the viability of the rural communities being resettled, due to the economic adaptations - occupational pluralism, household provisioning - and the absence of sufficient employment opportunities in the growth centres. Because of lack of information and the absence of collective community action in the past, many communities accepted resettlement as inevitable and deferred to the rule of outside authority. In some areas, however, the rural population resisted resettlement and banded together to save their communities.

The Great Northern Peninsula had the benefit of experience with co-operatives introduced by the English medical missionary, Wilfred Grenfell (who also established a medical centre in St. Anthony, at the tip of the Peninsula, to service northern Newfoundland and Labrador). Consumers' co-operatives and fisheries producer and marketing co-operatives were established beginning in 1905, and these were supplemented by co-operative development carried out by the Commission of Government in the late 1930s (Snowdon, 1965:9,27-34; Sinclair, 1989:20-22). When faced with resettlement in the 1960s, then, the first rural development association in Newfoundland was formed in June 1967, as a peninsula-wide lobbying group (Sinclair, 1989:24). Two similar groups emerged shortly thereafter, on Fogo Island in Notre Dame Bay and on the Eastport Peninsula, and these three led to a province-wide movement promoting an alternative approach to the centralization and industrialization strategies of the federal and provincial governments (Johnstone, 1980:26-37).

In the case of Fogo Island, the Extension Service of Memorial University, established to promote adult education through community organisation, helped mobilise collective action and inform the 'Local Improvement Committee' there of the details of government policies. An Extension Service field worker, based in Lewisporte but originally from Fogo Island, played a key role in this process. Nevertheless, in an ISER study at the time, DeWitt maintained that the committee, which preceded the formation of the development association, was largely ineffective in undertaking self-help projects because of a lack of technical competence and financial aid. He suggested that even self-help required some government aid, and that a government development worker was required (DeWitt, 1969:69; Clarke, 1981:60).

The Eastport development committee, formed in 1968, actively sought government aid for this reason, and despite the overall thrust of national and provincial development policy, succeeded in initiating a 'joint community-government development process'. Under a regional development programme administered by the federal Department of Forestry and Rural Development, joint federal-provincial funding was provided to the Eastport committee from 1968 to 1970 (Johnston, 1980:28; Simms, 1986:13-14). In 1969, funding was also provided to six other associations which had formed to cover administrative costs, and a provincial umbrella organization, the Newfoundland and Labrador Regional Development Council (NLRDC), was established to represent the member associations' interests and promote co-operation (Andersen, 1986:31; O'Reilly, 1987:77).

The success of the Eastport development initiative prompted both levels of government to continue their support after 1970. A full-time local development co-ordinator had been hired using government funds and, working closely with the provincial government department responsible for administering the funds, area residents implemented several small-scale development projects - a lobster pool

(where fishermen could jointly store live lobster), vegetable stands and a community pasture (which provided shared facilities to individual farmers), and several community projects which helped create a sense of local pride and confidence that the area could survive: a museum, a festival and a community newsletter. Most importantly, economic benefits were realized in the form of increased incomes and employment, at a per capita cost to government of $56 - negligible compared to Smallwood's large-scale development projects (Johnston, 1980:28-29).

The Liberal government of J.R. Smallwood had retained power throughout this period, but by the early 1970s a record of failed industrialization projects was eroding popular support for the charismatic Premier. In the provincial election of 1972 a Progressive Conservative (PC) government was elected with a mandate to encourage rural and resource-based development rather than 'invent new industries' and change people's 'way of life' (ibid.:15-16). The resettlement programme was abandoned (Copes and Steed, 1975:95), and a separate Department of Rural Development was established to formalise the community-government co-operation typified by the 'Eastport process'.

Under another cost shared federal-provincial regional development agreement, grants and loans were provided to small-scale rural enterprises, and administrative funding was allocated to the umbrella NLRDC and to individual Regional Development Associations - as they were termed in the Act - which met certain criteria. Incorporated under the provincial Companies Act, these voluntary organizations were required to have a board of directors representing 75 percent of the communities within one of the fifty-two regions defined by the Department. In each community a 'local committee' was to be elected which, in turn, would select a representative to serve on the regional Board of Directors (Andersen, 1986:31; Fuchs, 1985:6-7). By 1974, seventeen Associations had formed in accordance with the government criteria (Simms, 1986:32), and ten Department of Rural Development fieldworkers were based around the province to assist

Associations with their development work and to help organise new Associations (Johnston, 1980:40).

Despite this positive recognition of the Newfoundland rural development movement by the provincial and federal governments, the change in regional development strategy from the Smallwood regime was more symbolic than real. The new Department of Rural Development was restricted from involvement in any area of policy that came under the more influential departments, such as Fisheries (O'Reilly, 1987:3). In this and other sectors, although abandoning efforts to generate import-substitution manufacturing, the PC government continued the focus on large-scale resource projects: mines, Labrador hydro development and - another similarity to Norway - off-shore oil development (Simms, 1986:11). The expansion of infrastructure and services also continued throughout the 1970s, but highlighting the institutional differences from Norway, government administrative offices were concentrated in the larger regional centres (Newfoundland. Royal Commission, 1986:49).

During this period, national regional development policy moved from bad to worse. Political opposition to DREE's growth poles was expressed across Canada by representatives of every constituency that was not so designated. DREE was subsequently reorganized in 1974, with the introduction of a capital incentive programme for new plant location and expansion covering 90 percent of the country, and the initiation of General Development Agreements (GDAs). These umbrella agreements, signed with each province individually, were to subsume the various cost shared federal-provincial development programmes. The comparative advantages of each province were supposed to be emphasized by the GDAs, although critics have argued that they simply provided a grab-bag approach to regional development and served only to give federal and provincial politicians numerous opportunities to make funding announcements (Savoie, 1987:219-23; DeWolf, McNivan and McPhail, 1988:319; Overton, 1978:114; Canada. Royal Commission, 1985:179; Clement, 1989:44).

A further reorganization came in 1982 when energy mega-projects were planned for eastern and western Canada, while the industrial heartland of Ontario and Quebec was under threat from global restructuring of manufacturing and was suffering the effects of recession. Consequently, all pretences of 'regional development' were dropped, DREE became DRIE - the Department of Regional Industrial Expansion - and the new emphasis on 'industrial' as opposed to 'economic' expansion justified a shift in expenditure under the capital incentive scheme to central Canada. Between 1983 and 1985, 70 percent of incentives went to Ontario and Quebec, while Newfoundland - with over double the rate of unemployment - received one percent. Federal expenditure to the Atlantic provinces under the renamed GDAs also decreased during this period, and federal line Departments re-gained a role in negotiations to ensure that funding to provinces did not conflict with national sectoral goals (Leger, 1987:351-2; Savoie, 1987:216-17,223; Canada, Royal Commission, 1985:209-13; DeWolf, McNivan and McPhail, 1988:319-20; Lundrigan and Brait, 1986:5-6).

Northern Norway, despite the policy reversal of the 1970s, did not fare much better in terms of national development policy in the 1980s. While the three northern fylke accounted for 42.7 percent of total loans, loan guarantees and grants allocated under the Regional Development Fund in 1989 - a far cry from the proportion of Canadian funds going to Newfoundland or even Atlantic Canada as a whole (Distriktenes Utbyggingsfond, 1989:43,56) - Berg has noted that such explicit regional development expenditure accounted for just 5 percent of net transfers in 1982, and did not increase in real terms between 1973 and 1985 (1987:163-65).

Sectoral transfers make up the other 95 percent. In what Berg (1987) poses as the problem of 'sector versus region', transfers in the agricultural and fisheries sectors are the main culprits. At the peak of the decentralist 1970s, the Storting voted in favour of a programme of subsidies to equalize the wages of farmers with those of

manufacturing workers. This triggered a new optimism on the future of farming in the periphery. Agricultural policy also aimed to increase self-sufficiency on the national level and improve agricultural efficiency, however, which led to conflicting goals. Efforts were made to exclude 'hobby farms' from subsidies, which made many marginal farms which depended on job combinations ineligible. As subsidies were based on production volume, moreover, they favour larger farms with good natural conditions, located primarily in the south and south-west of the country - surrounding the fastest growing employment centres (Brox and Tesli, n.d.:17-18, 24-25; Brox, n.d.(b):2-6).

A similar process has occurred in the fishery. As noted above, the reorganization of the fishery in the 1930s greatly improved the earning potential of fishermen, leading to an intensification of fishing effort and resulting in fewer fishermen overall, but more full-time fishermen. In the 1960s and 1970s, direct transfers were introduced to further improve fishermen's incomes, secure stable supplies for processing and modernize the fleet. Brox has described the subsequent 'tragedy of the commons', as increasing emphasis on capital subsidies led to over-exploitation of the resource, decreasing yields and incomes. 'Unlimited harvesting of common and freely accessible resources' undermined the very basis for the settling of the Norwegian frontier. Continued efforts to make the industry profitable, so as to reduce the level of subsidies, now favour the capital intensive western Norwegian fishing companies which use off-shore trawlers to catch the fish off North Norway and sell it abroad with little further processing (Brox, 1988: 3,15; Jentoft and Mikalsen, 1987:219-24; Berg, 1987: 166-67; Brox and Tesli, n.d.:19, 25-26; Brox, 1987:74).

3.5 The Politics of Regional Policy

In both the fishery and agriculture in Norway, it must be noted, these developments have not been imposed by the national government. Rather, the evolution of fishing and farming policy has been very much the product of the

organizations representing fishermen and farmers. The Raw Fish Act and other fisheries legislation designed to protect the interests of the North Norwegian fishermen delegated significant power to the fishermen's organizations, particularly the Fishermen's Union. Over the years, however, this organization has become dominated by the financially strongest and most powerful groups within the industry: small-boat fishermen in the north have few resources to compete with the capital-rich large firms of western Norway (Berg, 1987:167; Jentoft and Mikalsen, 1987:224-27). Similarly, the Norwegian Farmer's Association has played a central role in the administration and implementation of national agricultural policy since the 1950s. Within this organization it is the large-scale and specialized 'super farmers' who have the resources and motivation to take on organizational and leadership roles, not peripheral farmers who combine agriculture with other sources of income (Brox, n.d.(b);10-12).

The political influence of peripheral communities within the Storting has thus been circumvented by the evolution of a corporative, segmented system of sectoral representation. With its roots in the inter-war period, this system was consciously implemented by the post-war Gerhardsen Labour governments. Led by the influential national trade unions, interest organizations were brought into the state decision-making structure. For a Party dependent on the varying interests of peripheral farmers and fishermen, as well as urban industrial workers, policy formulation and implementation delegated to the individual economic producer organizations made the system more easily governable. But the sectoral groups tended to become 'organizational palaces', with decisions directed by a 'tight network' of 'business leaders and top organisation men in each sector, the corresponding trade union leadership and the branch of the government administration responsible for each sector' (ibid.: 10,15; Olsen, 1983:31-32; McKenzie, 1981:78-80).

Park nevertheless saw this organisational affiliation as enabling 'honestly responsive government' as the whole 'occupational spectrum' gained effective

influence on parties and parliament (1974: 14-15, emphasis his). Occupational cleavages do not adequately represent all interests in society, however; not even all organized interests. This extends to the parliamentary system itself, with territorial representation undermined by sectoral influence. Despite changes in the constitution in 1952 that removed the 2:1 requirement for rural over urban representation, rural districts are still over-represented in the Storting (Olsen, 1983:51-53,201-3). The symbolic importance of territorial representation can still be seen in the Storting seating arrangement, which is done by constituency rather than party or ideology (Eckstein, 1966:98-99). North Norway holds 22 of 165 Storting seats; 13.3 percent of the total, while it has 11 percent of the population. Yet, the dominance of sectoral organisations in the structure of influence and power in Norway has displaced territorial representation. The Storting plays a relatively passive role in granting the funds required by the programmes worked out beforehand by the government administration and the sectoral organizations (Brox, n.d.(b):10,15). This is further enhanced by the prevalence of coalition and minority governments in Norway as a result of a proportional electoral system (with the 19 fylke boundaries serving as multi-member constituencies). No single party is able to win enough support to implement policies that are contrary to the interests of the major sectoral organisations (Berg, 1987:165,170).

One product of such a segmented system is that integrating sectoral policies into a consistent regional policy is beyond the control of the national government, as witnessed by the conflicting policies in the fishing and farming sectors. The resulting goal displacement of national subsidies supporting rich farmers and fishing companies is undermining public support for regional development in general. Indeed, the confidence of the Norwegian electorate in the political system itself is being shaken, indicated by growing support for the neo-conservative Progress Party, which campaigns for 'economic liberalism, with sweeping tax cuts, privatisation, deregulation and the end of subsidies'. Brox and Tesli contend that support remains for the 'superordinate goal' of maintaining the scattered settlement pattern, but that many have grown sceptical 'about whether

such an ambition is realistic'. For Berg, 'regional policies are territorial policies, which need to build on corresponding power bases'. While local government was relatively strong in Norway, at both the kommune and fylke levels, there was nothing to compare with a federal system which would devolve sufficient power to counter the strength of the sectoral organizations. The corporate power structure had 'successfully challenged the formal democratic and territorially based power structure', and within every organization there existed 'a centre-periphery dimension, where the periphery is likely to be situated at the lower end of the table' (ibid.:166,170-71; Brox and Tesli, n.d.:17,23-25; Brox, n.d.(b):12-14; Financial Times, 8 May 1989).

Canada has no equivalent to Norway's sectoral organisations. Indeed, D.V. Smiley has noted how the Canadian federal structure extends beyond political institutions to labour federations and business associations. Consequently, no national organization is able to make decisions binding on its constituent parts (1976:446-47). This does not mean that sectoral policies have less influence in the Canadian context, only that they are formed through a different process. Where policy comes under the jurisdiction of the national government, the balance of power in the Canadian House of Commons is determinate. Because of the national government's constitutional control of most means of raising revenue, moreover, even areas within provincial jurisdiction are largely dependent on federal transfers. And the overwhelming fact of political power in Canada is the dominance of the two most populous provinces, Ontario and Quebec. As allocated according to population, they hold 59 percent of seats in the House of Commons; Newfoundland has 2.4 percent. The Canadian Senate does little better in addressing this imbalance - Newfoundland has 4.8 percent of Canadian Senators. As an appointed body, furthermore, the Senate has little effective influence or authority. Consequently, national policy, as reflected in the evolution of regional development policy, responds to the needs of the centre.

The same holds for national sectoral policies in Canada. In the case of the fishery, this was initially manifested in what could be termed 'malign neglect'. In 1977, following the lead of other countries, an effort to reduce foreign over-fishing was made with the declaration of a two hundred mile fishing limit. A period of rapid expansion in harvesting and processing followed, supported by both levels of government, but the recession of the early 1980s brought a collapse in markets. The federal government responded with a restructuring programme which ignored provincial government demands for a decentralised industry - to spread benefits and to build on the fact that smaller companies had weathered the crisis better than larger ones. Instead, two giant vertically integrated companies were created, one each in Newfoundland and Nova Scotia. The one sector of the Newfoundland economy which had remained under local control was lost to the financiers on the Toronto Stock Exchange. An increasingly rationalized industry also reduced the number of fishermen and fish-processing workers required. From 20 percent of the provincial labour force in 1951, the fishery accounted for just 10 percent in the mid-1980s (House, 1983:30-32; Newfoundland. Royal Commission, 1986:50,124).

As recognized by Berg (1987), a federal system does provide an alternate territorial power base to attempt to counterbalance national sectoral policies which do not recognize regional needs. This was clearly the case with Brian Peckford's election as Premier in 1979, continuing the PC control which followed Smallwood. Peckford rode the crest of a wave of 1970s sentiment that emphasized the value of the traditional Newfoundland 'way of life', rooted in the outports, close to wildlife and wilderness recreation, and celebrating the music, humour and dialects preserved by the isolation now threatened by modernization (House, 1983:4-5). He articulated a vision of Newfoundland that sought to regain control of the province's natural resources, so as to promote local rather than external private enterprise, maximizing economic benefits, while preserving the province's 'unique' cultural and social identity (House, 1983:14,21-23). Shared jurisdiction over management of the fishery was central to this, as was re-negotiation of the Churchill Falls power contract, which provides Quebec with billions of dollars of

windfall profits because of increased energy costs. The original contract, signed in 1969, provides energy at declining prices for forty years with no re-opener clause. Despite constitutional guarantees of free transmission of energy and goods across provincial boundaries, the federal government has been unwilling to intervene on Newfoundland's behalf against the politically powerful central Canadian province (Peckford, 1980; 1981; 1983:58).

Most important, though, was control over a new resource that could provide the revenues to free the province from its fiscal dependence on Ottawa: off-shore oil. As Energy Minister in the previous PC government, Peckford contested the Trudeau government's assertion of federal jurisdiction over off-shore resources. Claiming it should be treated like energy reserves on land in other provinces, Newfoundland took the issue to court. At the same time, the Newfoundland government - based largely on the experience of Norway - introduced regulations to ensure that some linkages were captured despite dependence on multinational oil companies to develop the resource: preferences for Newfoundland labour, goods and services, and control of the rate of development to minimize negative social impacts. In 1977, aware of federal-provincial tensions, the oil companies threatened to pull out if the regulations were not relaxed. When Peckford refused, the companies carried out their threat, but when the province's regulatory framework was not eroded under pressure they came back - on Newfoundland's terms (Kimber,1980:36).

In the face of years of concessions to attract outside capital, this was a psychological breakthrough, fuelling the regionalist revival and introducing some optimism over the province's ability to control its own destiny. Unlike coalitions of provincial political elites and business interests which have been identified in other Canadian provinces (Brodie, 1989:154-55), Peckford's efforts and the regionalist sentiment that surrounded them were not shared by most Newfoundland businessmen. Consistent with past performance, they were afraid such provincial assertiveness would scare off development. They would have contented themselves

'with the crumbs of an aggressive national / multinational development of Newfoundland's resources' (House, 1983:10-12,21-24,44-46).

While the provincial state could make some headway with multinational capital, dealing with the federal government was another matter. The centralist Trudeau administration would not concede in Newfoundland's favour on the fishery, hydro or oil. When the federal PC Party defeated the Liberals in 1984, Peckford won a political settlement granting the jurisdictional control and fiscal regime for off-shore development that the province had been fighting for. As the federal-provincial battle was being waged, however, world oil prices dropped to a level that made the expensive off-shore development uneconomic in the eyes of the multinational oil companies. Provincial development strategies are created within the context of the national and international political economy, and when such strategies are rooted in resource exports they are even more vulnerable to external conditions (Brodie, 1989:155-56).

3.6 Regional Disparities and the Failure of Regional Development Policy

Industrial restructuring and the world recession at the end of the 1970s had a devastating impact on Newfoundland's resource industries. Mechanization of logging, the decline of the sealing industry, mine closures, all led to massive losses of seasonal and full-year employment. Few jobs remain in the Millertown logging industry and modernization is resulting in lay-offs in the Corner Brook and Grand Falls pulp and paper mills. The Buchans mine has closed, as has the zinc mine in Daniel's Harbour on the Great Northern Peninsula. Economic pressures, resource mis-management and biological factors have combined to lead to a sustained crisis in the fishery (Buchans Community Futures Committee, 1987:2).

Northern Norway has not been immune from these forces, particularly the decline in fish stocks. In both countries quotas have been slashed in an effort to allow stocks to re-build. The giant fish companies in Atlantic Canada have been closing

plants and laying off thousands of workers. Small-boat fishermen are similarly effected by reduced quotas in both countries. On the island kommune of Vega in Nordland fylke, 600 men travelled to the annual Lofoten fishery in the 1950s; today Vega has 30 full-time fishermen (Newfoundland Information Service, Fisheries and Executive Council Press Releases, 11 December 1989; Financial Times, 18 January 1990, 21 May 1990; Itv. Vega Kommune, Mayor).

These industrial upheavals have exacerbated regional economic disparities far beyond the conditions which prompted the formation of national development policies in the first place. Some have argued that an emphasis on statistical disparities implies some homogeneous national norm which all regions can aspire to, and that such a notion ignores regional variations and induces a self-defeating effort to catch-up to a mythical average or normative ideal (Personal Correspondence, Chris Palmer, 22 December 1988). Lesser has argued that as a region, Atlantic Canada has performed remarkably in keeping pace with economic growth in the rest of Canada, even if it has not 'caught up' (1989:18-19).

The Newfoundland government, however, has repeatedly emphasized its declining position relative to the rest of Canada, including the other Atlantic provinces. A 1986 government position paper argued that Newfoundland's share of national economic growth (Gross Domestic Product Annual Compound Growth Rate) in the previous five years declined to 0.8 percent from 1.7 percent in the period 1972 - 1979 (Government of Newfoundland and Labrador, 1986:2). Dedekam measured the level of economic development in 424 Norwegian kommunes using 24 variables ranging from education levels to labour market and social conditions, subjected them to discriminant analysis, and concluded that 67 percent of Norwegian kommunes classified as 'low developed' were located in Northern Norway. Put another way, 50 percent or more of the kommunes in the three northern fylkes were 'low developed', while none were classified as 'high developed' (1980).

Such calculations may assist in isolating potential problems, but they tell us little about the causes and conditions of regional disparity. Statistical indicators and national averages are nevertheless useful benchmarks of relative underdevelopment, albeit requiring further qualification and explanation. As the conventionally used measures, moreover, they have gained meaning as political and economic social conventions in their own right. Foremost amongst these, carrying their own normative if not explanatory impact, are unemployment rates. In 1986, Newfoundland's official unemployment rate was 20 percent - over double the national average. At the time it joined Confederation, Newfoundland's rate was 12 percent, and by 1966 it had dropped to 5.8 percent. By 1973, with infrastructure and public service expansion slowing and resource industry employment declining, the rate had reached double digits, and it has not gone below 13 percent since (Statistics Canada, 71-529; Overton, 1978:115).

If 'discouraged workers' are included in the calculation of the labour force, the rate in 1986 would have been over 30 percent. In rural Newfoundland, where there are few potential employers within most labour market areas, job hunters soon know if any jobs are available. Once they stop looking they are no longer considered part of the labour force and join the ranks of the 'hidden unemployed' (Newfoundland. Royal Commission, 1986:62,70-73). Even the official unemployment rate reveals staggering levels of unemployment in numerous regions and sub-regions of rural Newfoundland. In the Red Indian Lake Region, including Buchans and Millertown, 73.6 percent of the workforce was registered as unemployed in June 1987 (Buchans Community Futures, Statistics). On the Great Northern Peninsula, where reliance on the fishery is extensive, the rate in 1986 was 32.4 percent. Depending on whether a community has a fish plant or if local fishermen hold valuable cod and shrimp licences for inshore draggers, unemployment rates vary markedly throughout the Peninsula. Anchor Point, which has both these advantages, had a rate of 10.4 percent in 1986, while the former fisheries growth centre, Port au Choix, had 15.1 percent unemployed. The administrative centres on the Peninsula, St. Anthony and Rocky Harbour were 20.9

percent and 35.8 percent respectively. Elsewhere on the Northern Peninsula rates as high as 62.5 and 78.3 percent were experienced (House, et al., 1989:31-32).

Nothing approaching even the lowest unemployment figures in Newfoundland can be seen in Northern Norway. For Troms fylke the unemployment rate in July 1989 - in the midst of the fisheries crisis - was 2.4 percent. The administrative centre for all three northern fylkes, Tromso, had a rate of 2.1 percent; Salangen, a regional centre for surrounding kommunes in south Troms had 2.9 percent unemployed; and the North Troms fishing and industrial kommune, Lyngen, had a rate of 2.7 percent (Troms National Administration, Utvikling I Arbeidsledigheten). Even the isolated fishing and agricultural island kommune in Nordland fylke, Vega, enjoyed a rate of 2.8 percent in 1989 (Itv., Vega Kommune, Economic Development Officer, 4 June 1990).

As with the other Scandinavian countries, however, Norway has its own ways of hiding the unemployed. Oscarsson maintains that it is misleading to look at unemployment figures in these countries to analyse regional imbalances, as they are 'probably world champions' in labour market policies to keep people off unemployment (1989:45). The Labour Department maintains local employment offices throughout Norway, providing a range of training and employment programmes (Telephone Itv., Amdam, 9 June 1990). In January 1990, if the numbers on these programmes were added to the national jobless total, about 7 percent of the labour force would have been considered out of work (Den Norske Creditbank, 1990:14).

Compared to Canada, and especially Newfoundland, an unemployment rate of 7 percent seems utopian. Yet Canada is not without its share of labour market programmes, administered by the federal Department of Employment and Immigration and by various provincial government departments. The divided jurisdiction in the Canadian context comes into play here, in a manner which actually increases unemployment rates. Unemployment Insurance in Canada is paid

by the federal government; Social Assistance, or 'welfare' as it is termed pejoratively in Newfoundland, is paid by the provinces. Because of the continued predominance of seasonal employment in rural Newfoundland, particularly where the inshore fishery is still the main employer, few people have full-year jobs. In 1957 Unemployment Insurance was extended to independent fishermen - the only 'self-employed' group to be covered. Twenty years later, the programme was made sensitive to regional unemployment rates, meaning that in Newfoundland ten weeks work would qualify an individual for 'UI' for the rest of the year. Rural Newfoundlanders soon integrated these payments in their traditional manner of economic adaptations. The 1957 change led to an immediate increase in the number of fishermen, at a time when catches were declining. After 1977, it became common for Newfoundlanders to travel to the 'mainland' for ten weeks work and then return home to collect UI (Overton, 1978:112-13; Richling, 1985:245).

This system of 'gentle sabotage', as House has termed it, was carried out with the active collaboration or collusion of federal and provincial politicians. Because of the stigma attached to welfare and the fiscal strain it placed on the provincial budget, 'make work' programmes were implemented to insure that people got the necessary ten weeks work to qualify for UI. These programmes became increasingly important as seasonal work in construction and forestry declined, sealing disappeared, and during years when the annual heavy ice on the North-East coast or scarce fish stocks limited the fishery. A national policy designed to meet the needs of temporarily laid off industrial workers in central Canada thus became a form of income support in rural Newfoundland (House, et al.:39,55-56; Newfoundland. Royal Commission, 1986:25, 49-50,80). The growing network of Regional Development Associations throughout the province became the unofficial bureaucracy for administering applications for funding and allocating temporary employment on the local level (Simms, 1986:40-41), a role which, as will be discussed in Chapter 5, they are now trying to escape.

The reliance on national transfer payments by individuals in both North Norway and Newfoundland has been seen as another form of dependence in these regions, although the difference in the levels of funding provided makes this less a source of disparity in the Norwegian context. As opposed to the Newfoundland government's support for the voluntary Development Associations, the Norwegian rejection of centralisation strategies resulted in increased public sector employment at the kommune level. These well-paid unionised jobs, combined with a high unionisation rate in general (over 60 percent of the Norwegian labour force), and continued subsidies and income support in the agricultural and fisheries sectors, means that income disparities are far less evident in the Norwegian context. The 'Nordic passion for equality', of course, is second to none in the world, and while regional equality remains a policy goal, equality between individuals through personal transfers is assured (Fagerberg, et al., 1990:79-80,88; Oscarsson, 1989:45; Park, 1974:10).

In Newfoundland, by contrast, a federal government survey in 1987 found that 95 percent of Newfoundlanders were living in 'deep disparity', meaning that earned income per person was less than 70 percent of the national average. Six of the ten census divisions of the province fell below 50 percent of the nation average (Evening Telegram, 28 August 1989). Within Newfoundland, the Great Northern Peninsula is once again the 'periphery of the periphery' when it comes to economic disparities. For the peninsula as a whole, median family income in 1981 was 93.3 percent of the Newfoundland median. As an indication of dependence on government transfers such as UI, the percentage of employment income as a share of total income was 54.1 percent. By contrast, employment income was 92.3 percent of total income in the most urbanized part of Newfoundland, the Avalon Peninsula. Within the Northern Peninsula, there was great variation: from a median household income in Anchor Point of $31,499 in 1981, to $22,087 in Port au Choix and $8,294 in Rocky Harbour (Sinclair, 1989:11-13). As these statistics indicate, however, there are various measures of income, and when transfers are added to earned income, and household income is accounted for, the level of

disparity - if not dependence - diminishes (Canada. Royal Commission, 1985:201-3).

The reality of how unemployment rates and income measures affect individuals and families in different contexts is perhaps best indicated by migration patterns. On this measure, both Newfoundland and Northern Norway remain unable to sustain their resident populations according to the quality of life that they perceive to be available elsewhere in their countries. From 1950 to 1970, the proportion of the Norwegian population living in rural areas declined from 43 percent to 37 percent. But even when the decentralisation of public services in the 1970s reversed this trend for the country as a whole, population growth in North Norway was less apparent, and Finnmark continued to suffer an absolute decline (Monnesland, 1989:92; Brox and Tesli, n.d.:3-5). The fisheries crisis and a drop in fertility rates led to further population decreases in the 1980s, and several observers maintain that relatively low unemployment rates have only been maintained because of out-migration (Itv., Hansen, 15 June 1990; Itv., Vega Kommune, Economic Development Officer, 4 June 1990; Sjoholt, n.d.:9).

Within North Norway, however, there is substantial variation. The population of Vega increased from just over 1,000 in 1801 to 2,891 a century later. From 1900 there has been a steady population drop, so that today there are just 1,554 residents. The establishment of several state-run industrial plants elsewhere in Nordland Fylke after the war attracted many of Vega's people, and the decline in the fishery is considered to have done the rest (Itv., Vega Kommune, Economic Development Officer, 4 June 1990; Sjoholt, n.d.: 15).

In Troms Fylke, the birthrate remains higher than most parts of the country, but the Fylke mayor explained that the problem now is that the area is not getting in-migrants as it did in the 1970s when the University was expanding (Itv.). For the fishing community of Sommaroy, within Tromso Kommune, the benefit of two fish plants has meant that the crisis of the 1980s has been less severe, leading to a

population increase of 86, bringing the total in 1987 to 320 - a significant increase for a community of that size (Marciniak, 1988:18). A similar situation exists in Lyngen Kommune, north of Tromso, where the population has dropped from over 4,000 in 1970 to 3,785 today. For the community of Furuflaten within Lyngen, the exceptional statistic of some 120 industrial jobs - spread amongst several private firms - in a population of 350, has resulted in steady in-migration, as well as commuting, from nearby towns (Itv., Lyngen Kommune, Economic Development Officer; Itv., Uponor A/S).

Finally, Salangen Kommune, in south Troms, had the benefit of military employment in the 1950s to minimize job losses as the traditional fishing-farming combination declined. When the military pulled out in the late 1950s, the population dropped by 20 percent from 1950 to 1973. In the mid-1970s, at the peak of the decentralisation efforts, Salangen's population statistics turned around. From 1965 to 1972 a natural population increase of 114 had been counterbalanced by a net out-migration of 519; a natural decrease of 47 from 1973 to 1980, on the other hand, was more than compensated for by a net in-migration of 207. Significantly, by 1980, 45.5 percent of the workforce was employed in public and private services, 24.3 percent in manufacturing and construction, and only 12 percent in primary industry (Itv., Reiersen; Reiersen, 1984:6; Salangen Kommune, Internal Statistics).

The rate of out-migration from Newfoundland has been the highest of any Canadian province since it joined Confederation in 1949. While the Atlantic Provinces are often clumped together as a depressed region, only Newfoundland has consistently experienced high loss of population through net migration. Between 1956 and 1986, 121,302 more people left the province than moved to it. As noted by House, this has been due less to a higher rate of out-migration from Newfoundland than experienced by other provinces, than to the fact that fewer people move to Newfoundland from other provinces. Nevertheless, when combined with a declining birthrate (falling from 34.1 per thousand in 1961 to 14.6 per

thousand in 1985), Newfoundland's population growth has been negligible for over a decade, growing by only .1 percent from 1981 to 1986 (House, et al., 1989: 1,7-9,12; Statistics Canada, Demography Division).

Within Newfoundland, the combined effects of the resettlement programmes and changes in employment in the resource industries, have resulted in a decline in the rural population - those living in communities of less than 5,000 people. In 1951, 73.1 percent of the population lived in rural areas. By 1971, this had declined to 61.7 percent. While out-migration has continued from Newfoundland, though, rural communities still make up about 60 percent of the population. In 1981, 40 percent of the province's population lived in 14 urban centres; the rest in 709 communities of less than 5,000; and 32 percent of the total population lived in 631 villages of less than 1,000 people (Newfoundland. Royal Commission, 1986:56,365-66).

Like Northern Norway, there is considerable variation in population change between communities and regions within Newfoundland, primarily dependent on their economic characteristics. The closure of the Buchans mine and the decline in the logging industry slashed the population of the Red Indian Lake region by over 25 percent between 1981 and 1988 (Buchans Community Futures Committee, Statistics). As changes in air transport have decreased Gander's strategic advantages as a trans-Atlantic airport town, its location on the main provincial highway and its success in attracting federal and provincial government branch offices have enabled it to grow as a regional centre. Similarly, Lewisporte has benefited as the closest port to Gander and as a distribution centre for surrounding communities, in addition to serving as the ferry terminus for Labrador (Thompson, 1987:5; Town of Lewisporte, Promotional Brochure; Itv., Town of Lewisporte, Mayor, 7 September 1989). On the west coast of the Island, Corner Brook supplemented its industrial employment in the paper mill - albeit decreasing with new technology - with similar service functions as Gander, combined with its own port. The former agricultural community, Pasadena, has played on its easily developed land and proximity to both Corner Brook and the region's airport town,

Deer Lake, to grow from 894 residents in 1971 to over 3,500 today. In general, however, the regions surrounding Corner Brook and Gander experienced population decline during the 1980s (Greater Humber Community Futures Committee, 1988:4-6; Gander Area Community Futures Committee, n.d.:14; Pasadena Economic Development Committee, n.d.:4).

The Great Northern Peninsula, despite unemployment rates as high as the Red Indian Lake region, and despite its dependence on the fishery and the absence of major service centres, experienced a population increase of almost 1,000 from 1976 to 1986. Once again, significant variation exists between communities on the Peninsula. While several small communities declined by over 10 percent in the decade before 1986, several others gained in population. The largest centre, St. Anthony, increased by 175 to 3,162 people, while the fisheries centre, Port au Choix, grew by 144 to 1,285. These figures conceal as much as they explain, however, as some communities with apparently stable populations, actually had 20 percent of their population move out of the community, only to be replaced by an equal number of in-migrants. As noted by House for Newfoundland as a whole, although more people leave the province than elsewhere in Canada, more return (Sinclair, 1989:10; House, et al., 1989:25-28). This high rate of return migration indicates characteristics of the rural economy which traditional economic statistics ignore.

3.7 Underdevelopment as a Strength? Rural Economy and Identity in Contemporary Newfoundland and Northern Norway

The Newfoundland Royal Commission on Employment and Unemployment was established by the Peckford government in 1985 when unemployment rates were topping 21 percent and the off-shore oil dispute had yet to be resolved. Although seen by many as an attempt to placate opposition without confronting the problems the province faced, the appointment of Memorial University sociologist - and director of ISER - Doug House as Chairman, and the resulting report articulating an 'alternative vision' of economic development, gained widespread

support throughout all sections of Newfoundland society. The Commission Report argued that industrial models of economic development based on the experience of Britain, the United States and central Canada, were not appropriate for Newfoundland. Not only was Newfoundland's domestic market too small and distances to major metropolitan markets too great for it to become a major centre of heavy industry and manufacturing, but such a model neglected the relative strengths of the outport economy, where the majority of Newfoundlanders still lived. This did not idealize the pre-Confederation outport, with its poor subsistence economy, but looked forward to 'the pending post-industrial era', in which 'electronics, computerisation, modern transportation and communications systems and the rapid growth of a myriad of personal services' would increasingly 'obviate the need to centralize populations for large-scale manufacturing enterprises' (19,40).

Before this optimistic vision of the future could be realized the reality of outport Newfoundland had to be understood; a reality which national policies ignored and which demanded employment strategies 'tailor-made to this particular region of Canada'. Assuming that classical labour market analysis could accurately apply in other contexts, the Commission maintained that labour supply continued to outstrip demand in Newfoundland because lower real wages and out-migration had not been sufficient to establish equilibrium. The primary reason for this was the contribution of informal economic activities to the well-being of rural Newfoundlanders. Foremost amongst these - limiting out-migration, encouraging return-migration, and making lower incomes go further - was home ownership. Despite all the measures of economic disparity suffered by Newfoundland, it has the highest rate of home ownership in Canada. Over 90 percent of rural Newfoundlanders own their own homes, compared to 70 percent in urban Newfoundland and 62 percent for Canada as a whole. A 1978 survey also indicated that only 9 percent of rural families in the province have mortgage payments, compared to 35 percent of urban families. Through pooled labour and locally cut lumber, residents of rural Newfoundland are able to construct modern homes at a

fraction of the cost in urban areas. To move from such conditions and face urban housing prices involves a substantial financial sacrifice (99-102; 365-66).

In addition to home ownership, rural families are able to supplement formal economic activity in other ways. While increased availability of disposable income through government transfers had led to a decline in subsistence agriculture (Richling, 1985:241), increasing energy prices have made locally cut firewood - burnt in energy efficient wood furnaces - a significant economic contributor. In addition, fishing for home use, hunting and berry picking are pursued by the majority of rural households as recreation, and as a contribution to the home economy. If such non-wage economic activity is accorded value as a productive contribution to economic well-being, the House Commission argued, seasonal unemployment is not 'idle' labour as standard labour market theory would have it.(1) In rural Newfoundland, 'work' is not synonymous with paid employment (Newfoundland. Royal Commission, 1986:46-49; House, et al., 1989:55-58)

As argued by Brox in his ISER study published in 1972, however, cash inputs are essential to the operation of the informal economy. Cash provides the consumer and capital goods that can not be attained locally. These then act as inputs to the informal economy, creating a local multiplier effect. Consumer durables such as freezers, pick-up trucks, all-terrain vehicles, chain saws and other tools enable non-market production to take place. Seasonal employment in resource industries or construction could provide the necessary cash inputs while allowing the time in the off-season to participate in informal activity. Shift-work on off-shore oil rigs is a new, high-paying employment opportunity that complements the informal economy. Temporary migration to mainland Canada for wage work has long been practised by rural Newfoundlanders, reflected in reduced out-migration when recession limited job opportunities in the rest of Canada in the early 1980s. But

1 Canada. Royal Commission, 1985:214,604-6; ACOA. Interaction, 1, no.2:2, are good examples of seasonality seen as a cause of unemployment and therefore needing to be eliminated through labour market adjustment and industrial restructuring.

for many, make-work followed by unemployment insurance has been increasingly common. The rigid criteria applied in qualifying for UI have in fact discouraged people from working after they have qualified initially, even if other seasonal employment is available later in the year. Because of government transfers, occupational pluralism is declining, with no compensating increase in full-year employment (Brox, 1972; House, et al., 1989:69,79; Newfoundland. Royal Commission, 1986:44,106-7,403-17; Richling, 1985).

To overcome the wasted human and financial resources implicit in the 'ten week syndrome' the Commission recommended the creation of a guarantied annual income to replace the use of unemployment insurance as an income support (403-17). Even if accepted by the provincial government as the best way to overcome the human and economic waste implicit in the current system, changes of this order require, as the Commission acknowledged, the active participation of the federal government. Yet, it is the inability of national policy makers to understand the economic realities of rural Newfoundland that has perpetuated the current contradictory system. Indeed, the same year the Newfoundland Commission was established, the federal Royal Commission on the Economic Union and Development Prospects for Canada - the MacDonald Commission - issued its report. It also called for the creation of an income security programme, but emphasized the need for it to overcome the disincentives to (formal) employment in the current system. It also called for a transitional adjustment programme to support Canadians who 'need to relocate' to find employment (Canada. Royal Commission, 1985:201-3; 213-16).

The federal PC government of Prime Minister Brian Mulroney, intent on deficit reduction and economic liberalisation, has set out to tighten UI regulations to diminish transfer dependency and improve labour market efficiency, without implementing alternative compensatory or development programmes. One proposed change, the extension of the number of weeks work required to qualify (from ten to fourteen), led to claims that thousands of rural Newfoundlanders

would not be eligible in 1990 (Newfoundland Information Service. News Releases. Fisheries:25 July 1990; Employment and Labour Relations:3 November 1989, 13 December 1989; Lee, 1989; Cox, 1990). In addition, changes in federal make-work projects are being described as a 'disguised resettlement program', as funding is decreased and only projects that involve training are eligible. Regional Development Associations are finding it increasingly difficult to create short-term work for local residents: training for permanent jobs in declining single-industry towns can only mean out-migration for such organisations (Delacourt, 1989). Finally, the national 'goods and services' value added tax is likely to make many more transactions that take place in the informal economy subject to taxation, further diminishing the advantages of the rural economy (Bueckert,1989).

Informal economic activity seems to play a much less significant role in the lives of Northern Norwegians. Sectoral policies have led to occupational specialisation amongst most farmers and fishermen. Where occupational pluralism exists, it has less to do with traditional economic adaptations than in combining employment in one resource sector with employment in the service sector. The decentralisation of government services to the kommune level in the 1970s resulted in numerous employment opportunities on the local level, nearer to where most people lived than the few regional centres where the national and provincial governments located their branch offices in Newfoundland. Women, in particular, have gained through the provision of such locally-based service sector jobs. In Troms Fylke, high schools were situated in the six or seven largest kommunes fifteen years ago; today they are in all twenty-five Troms kommunes. On the island kommune of Vega, 56 percent of the 748 people employed in 1988 were in the service sector. The Kommune administration - including school teachers - is the largest employer in Vega (Itv., Vega Kommune, Economic Development Officer, 4 June 1990; Hetland, 1986; Berg, 1987:168-70; Marciniak, 1988:20-21,69-70; Almas, 1986:174-76; Itv., Troms Fylke, Planning Chief).

Norway has not been immune to fiscal restraint, however, particularly as the spending growth of the 1970s gave it the largest current account deficit of all OECD countries. When the Conservative party gained power in 1981 it set out to reduce growth in public sector spending. For a couple of years local government was targeted for restraint, and the down-side of regional development based on decentralisation to the kommune level is that privatisation undermines local viability in peripheral regions. After 1983, however, with oil exports increasing, public-sector investment began to rise again. Highlighting the contrast between Scandinavian and Canadian conservatives, even before the revival of oil revenues in 1983, entitlements to unemployment benefits were increased (Fagerberg, et al., 1990:72-79; Itv., Hansen). While transfers to individuals reinforced peripheral communities, the extent of the fisheries crisis has nevertheless led to the out-migration detailed above. Troms Fylke is now looking at reductions in the number of high schools, because there are not enough students to occupy one in every kommune. Transfers to kommunes and fylkes are based on demographic criteria, moreover, so declining populations mean that most North Norwegian kommunes and all three fylkes will face spending cuts. Weakened employment and service levels will only exacerbate out-migration, establishing a vicious circle of increasing disparities (Berg, 1987:170; Itv., Troms Fylke, Planning Chief; Monnesland, 1989:94).

The experience of Northern Norway indicates that even where national income support structures are strong, out-migration will occur if there are insufficient employment opportunities. The practice of occupational pluralism has been less prevalent than in Newfoundland in recent years, but that is primarily because employment in resource industries has paid sufficiently to encourage year-round work wherever possible. The Northern Peninsula and north-east coast of Newfoundland have the physical barrier to a year-round fishery of ice-filled bays for several months each year, which the rest of Newfoundland and Northern Norway are spared because of the Gulf Stream. Alexander noted that where the fishery was limited because of ice, specialization and maximization of output

would not necessarily lead to higher incomes than occupational pluralism combined with non-market production (1983:10-11). But where Newfoundlanders have the opportunity to work more than ten weeks, and their eligibility for UI is not affected, they do so (Newfoundland. Royal Commission, 1986:64-97).

By emphasizing the strengths of the informal economy, the House Commission was focusing on adaptations made necessary largely because of a lack of options. Ommer, who edited the Commission Report, has argued that while the informal economy may not be regarded by people with 'twentieth century consumption patterns' as ideal, it was nevertheless the 'best guarantee of survival' for people in marginal regions (1989:15). As House's recent work has indicated, rural Newfoundlanders have the same material aspirations as most North Americans: 'survival' is not enough.

When education levels limit job opportunities elsewhere, as they do for many rural Newfoundlanders, then the rural economy with home ownership, seasonal employment and UI provides the best approximation of 'the Canadian dream' available to them. For young people who pursue an education and want a career rather than a patchwork of jobs and transfer payments, out-migration is the only alternative (House, et al.,1989: 3,91,105,121).

Hansen has found the same 'mismatch' between young people's values and the local labour market in Norwegian fishing communities. He maintains that many out-migrate to get an education, and that one-half to two-thirds never return (1989:4; Itv.). The North Norwegian return migration that does occur, has been attributed to lower education levels amongst the generation whose education was interrupted by war-time evacuations (Itv. Nordvik; Itv., Lyngen Kommune, Consultent). Housing would seem to be less a factor in Norway. Home ownership is high in North Norway, as it is throughout the country, but mortgages are common, perhaps because there is more full-year employment and also because less forest and more private ownership of land limits access to local timber (Fagerberg, et

al., 1990:67; Marciniak, 1988:20; Itv. Sommaroy Community Committee, Chairman). Finally, for women in both countries - who have the most difficulty finding employment in resource-based economies - the alternative of household production in the informal economy often means an unequal division of labour (Porter, 1987; McKenzie, 1981:32-37). For many, subsistence in rural areas may be as much a trap as it is a desirable alternative to full-year employment in urban centres. Indeed, in Port au Choix, many young families are now choosing to sell their houses and rent apartments, no doubt because the current fishery crisis makes home ownership more of a liability than a strength (Itv., Town of Port au Choix, Mayor).

These qualifications do not diminish the fact that many Newfoundlanders and North Norwegians would prefer to stay in their home communities if there was sufficient employment available. In Newfoundland in particular, a distinct sense of regional, or - in light of its late entrance into Confederation - national identity exists. A unique history (relative to the rest of Canada), the coincidence of geographic and provincial boundaries for the island portion of the province, few ethnic minorities (because of little in-migration), and the persistence of West Country English and Irish dialects, music and humour, all reinforced by the persistence of economic disparities and a shared sense of outside exploitation, combine to create a sense of 'Newfoundlandness'. Newfoundlanders who have migrated to the major urban centres in Canada maintain their own links to the province through Newfoundland clubs, Newfoundland grocery stores (complete with salt fish and other traditional staples), and their own expatriate newspaper. In a 1977 survey, Newfoundlanders scored higher on provincial as opposed to national identity than did any other provincial group, including French Quebecers (House, 1983:5; Cullen, n.d.:8).

Rural Newfoundland, where the majority of Newfoundlanders still live, exhibits various characteristics which typify this identity. In work preceding the establishment of the Royal Commission, House articulated this view of the

Newfoundland outport as a desirable form of social organization: 'as human communities they display many characteristics: close family and kinship ties, an egalitarian ethos, good humour in personal relations, a clean environment, low incidences of serious crime - that more urbanized parts of North America should envy' (1983:44). In his recent work on the Northern Peninsula, he found that close social relationships with family and friends, access to the countryside and the absence of crime and other social problems were identified by residents as the main advantages of living in the region. Lack of employment and the weather were the main problems (House, et al., 1989:64-67). Despite all its economic problems, the rate of divorce, suicide, mental illness and crime are all below the national averages in Newfoundland, and where they have been measured, are lower in rural than urban parts of the province (Sullivan, 1988; Government of Newfoundland and Labrador, 1983).

These findings are consistent with the stability of community values and the absence of the normlessness, alienation and social isolation termed as 'anomie' by Durkheim (Evening Telegram, 5 July 1986; House, et al., 1989:125). While also potentially conservative or reactionary, such organic solidarity no doubt underpinned the 1970s populist rejection of centralization and modernization (Alexander, 1983:113; Neary, 1969:43; Overton, 1988). Today it is still a tangible part of the psychological make-up of Newfoundlanders. Commenting on members of the community who had left Port au Choix because of the fishery crisis, the Town Clerk noted that most had come back. Even with employment problems, he contended, 'we are still way ahead of other places - it's liveable here - better than big urban places ... up there in Toronto, prison wouldn't be worse; there's no water there, and what there is, is polluted; this is a good place to live' (Itv.).

Eckstein also cited Durkheim in explaining the much lower suicide rate in Norway than in other Scandinavian countries. Norwegians enjoy a well integrated system of values, with emphasis placed on social harmony over individual competition. Where suicides occurred, he maintained, they were often from guilt feelings

resulting from success. This value system, in contrast to Newfoundland, existed for the whole country, not just for peripheral Northern Norway. Its history of foreign Danish and then Swedish rule, followed by the unifying ordeal of Nazi occupation, nurtured a sense of national identity in Norway that does not exist in the Canadian context. A connection to the countryside also contributes to a shared Norwegian identity, as urban as well as rural dwellers look to the fjords, lakes and forests for their recreation. The fact that most city-dwellers are recent migrants from rural areas no doubt reinforces this. The link between rural and urban interests, clearly expressed in the anti-EC campaign and support for rural development programmes in the past, is seen by Esping-Andersen as the very basis of social-democracy (Eckstein, 1966:78-93,107-8,124-25; Park, 1974:14; cited in Barthelemy, 1990:482). This Norwegian national identity is rooted in an affirmation of local autonomy and viability, as the continued recourse to the kommunes as a political and administrative entity attests. Local identities are enhanced by a decentralized press, which enables a variety of arenas to discuss national issues on the local level and to give vent to regional concerns. There is now a movement of mayors from various regions of the country to have a network of decentralized, independent regional television stations established (Spilling, 1988: 12-14).

As economic problems intensify in Northern Norway, and opposition to sectoral organizations undermines support for regional development, a growing regional identity is evident. As will be discussed below, this is beginning to lead to pressures for political reform that may make Northern Norway look more to the Newfoundland experience, just as Newfoundland looks to Norway's. In both cases, political and institutional structures need to be adapted to the social and economic realities of each context. The House Royal Commission served to highlight the significance of the household economy and economic adaptations of rural families in enduring difficult economic conditions. But this should not be conflated with the equally significant place rural lifestyles play in defining the Newfoundland identity and value system. Northern Norway shares a similar value structure with the rest

of the nation, without continuing to rely on marginal adaptations for survival. Residents of both regions have demonstrated through out-migration that sustainable communities require viable employment - marginal adaptations are not enough. In the contemporary reality faced by Newfoundland and Northern Norway, how to combine the very real social and economic strengths of peripheral regions, while generating economic development, remains a vital - if unanswered - question.

3.8 Conclusion: Newfoundland and Northern Norway in the 1990s

The reactions against centralization and modernization development strategies in Newfoundland and Norway in the 1970s were not rooted in a rejection of the mass consumption inherent in an international Fordist production system. As inhabitants of regions of developed countries, Newfoundlanders and North Norwegians share the material aspirations of people throughout each country. Because they also value living in their particular regions - in Newfoundland because of a separate identity; in North Norway, as an expression of a national identity committed to local viability - they rejected the spatial implications of Fordism. As part of a national movement, and with a well developed tradition of local government, North Norway benefited from oil-funded decentralisation of public services to the kommune level. With no such political development (rooted in its colonial beginnings), and as part of a national political system structurally biased towards central Canadian development, Newfoundland settled on a weak voluntary movement buttressed by national compensatory transfers. Because the national governments in each country continued to implement sectoral economic policy within an essentially Fordist paradigm, the economies of Newfoundland and North Norway have continued to suffer the spatial effects of centralization and concentration.

Unlike Northern Norway, Newfoundland does have the additional political alternative of a provincial development strategy. As an independent Dominion

before the Depression, and as a Canadian province, Newfoundland has alternated between import-substitution industrialization strategies and foreign-controlled resource development. No effort was made to develop industrial linkages from existing resource industries, most noticeably in the fishery, where substantial domestic control remained until the 1970s. The Peckford governments of the 1980s attempted to use provincial legislative and regulatory powers to harness multinational resource development in Newfoundland's interests.

It should be noted that for the most part, this was not a rejection of large-scale industry and centralisation of production. For Peckford, preservation of the 'Newfoundland way of life' required provincially-controlled resource developments to provide the fiscal capacity for local job creation (1983), a view shared by most senior bureaucrats in Newfoundland. Indeed, like their federal counterparts, senior Newfoundland civil servants - trained in economics and business - promoted classical industrialization strategies and focussed on mega-projects as much, if not more, than politicians (Savoie, 1987:216-17; Itv. Government of Newfoundland and Labrador, Assistant Deputy Minister, Intergovernmental Affairs Secretariat). (2) Lacking the fiscal capacity to implement its development strategies, and needing to clarify jurisdictional control over its major resources against a centralist national government, provincial efforts failed to come to fruition while Peckford was in power.

The conditions required by multinationals and the federal government for off-shore oil development to proceed were satisfied in September 1990. A national economy headed for recession and the Mulroney government low in public opinion polls no doubt inspired national grants and loan guarantees totalling $2.7 billion. The $5.6 billion project is expected to create 35,000 jobs, 10,000 in Newfoundland, and the rest across the country (Evening Telegram, 14 September 1990). Such

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2 In several personal interviews, senior Newfoundland civil servants expressed the opinion that the resettlement programmes of the 1960s should have been continued.

mega-projects are as close as the current national government comes to a regional development policy. By the mid-1980s, regional economic development in Canada had come to mean economic development in regions rather than of regions. In 1987 DRIE was replaced by agencies to support small and medium sized businesses in Western and Atlantic Canada. Based on the research of David Birch on small firm job creation in the United States, the Atlantic Canada Opportunities Agency (ACOA) provides business advice and studies and financial support to private firms (including co-operatives and local development agencies) in a range of sectors. ACOA also manages the General Development Agreement framework, now called the 'Co-operation Program', which continues to provide an assortment of funding programmes to individual provinces. Two years into its mandate, ACOA had to extend its budget by two additional years to meet fiscal restraint targets set by Ottawa (Government of Newfoundland and Labrador, 1986:7-8; DeWolf, McNiven and McPhail, 1988:315-17; ACOA, Interaction, 1, no.2:3). Federal cut-backs have also effected equalization payments and caused delays and reductions in the not so co-operative Co-operation Program (Peckford, 1986:81-82; Payne, 1989).

Newfoundland's new Liberal government, under Premier Clyde Wells, has argued for a return to an explicit federal commitment to reducing regional disparities. Wells maintains that the establishment of similar agencies to ACOA in other parts of the country means that disparities will only widen. He actively opposed the formation of a new federal Department of Industry, Science and Technology responsible for regional economic development in Ontario and Quebec. While Atlantic and western Canada get agencies supporting small business, central Canada has a Department developing an integrated research, development and marketing strategy. Wells contends that development funding should be targeted to regions according to a formula measuring level of economic disparity in the same way equalization payments are determined (Wells, 1989:10; Hillier, 1989). His efforts face the same obstacles as Peckford's when dealing with the federal government, however, and the provincial government is now facing its own

restraint programme in response to cuts in federal transfers (Doyle, 1990; Gushue, 1990; Newfoundland Information Service, Finance, 1 November 1990).

Unlike Peckford, Wells rejects the emphasis on strong provinces as a counterbalance to the federal government within Confederation. Instead, he has called for the creation of an effective, elected Senate on the national level with equal representation from each province: the so-called Triple-E Senate supported in western Canada. If structured in this way, he argues, the dominance of Ontario and Quebec in the House of Commons would be counterbalanced and peripheral regions could then have effective input into national policy making. Not only would regional development funds be more equitably distributed, but national policies - sectoral and macro fiscal and monetary policy - would reflect regional as well as national (read central Canadian) needs and objectives (Wells, 1989:7-10).

Constitutional reform is now very much on the Canadian political agenda, largely because of Wells' position on the Senate. A constitutional accord designed to grant Quebec 'special status' signed by the federal government and all ten provinces in 1987 required ratification by each legislature within three years. Because the accord included an amending formula requiring unanimous provincial consent for amendments concerning Senate reform (among other things), Wells refused ratification. Quebec responded by re-opening the issue of its membership in Canada, and various national and provincial commissions were established to attempt to resolve the issue one way or another (Thorsell, 1990; Burgess, 1988). It is unlikely that Ontario and Quebec would ever agree to Senate reform that would diminish their control over the national government, and Wells is now pursuing closer ties with the other Atlantic provinces to try to increase their collective influence over national policy (Globe and Mail, 31 December 1990).

The Norwegian experience indicates that national political institutions representative of territorial interests are not sufficient to ensure that national policies respond to the needs of the economically weakest regions. The Regional

Development Fund, administered by the fylkes, continues to provide grants and loans to businesses establishing in depressed regions and the three northernmost fylkes still receive the highest levels of support. As argued by Sjoholt, however, there is little evidence that such incentives induce long-term regional development. Few if any links were established with the local economy by firms attracted in, and when downturns are experienced they have collapsed or moved to where profit margins are higher (1987:278-80). Similar criticisms have been levelled at the equivalent programmes sponsored under the various regional development bodies in Canada, and now run by ACOA (Canada. Royal Commission, 1985:211-13). In the case of Atlantic Canada, this has also been attributed to the low level of funds provided to the region (Leger, 1987:351).

Like ACOA, the Norwegian Regional Development Fund has recently placed more emphasis on small and medium sized firms, although this has not displaced other programmes as it has in Canada (Distriktenes Utbyggingsfond, 1989:41). The 'Grunder strategy' (3) attempts to assist entrepreneurial activities with grants for 'soft' investments: product innovation, marketing and skill training. As will be argued in Chapter 5, however, unless such activities are integrated and co-ordinated on the local level they have little chance of contributing to regional development.

More significant than the effectiveness - or otherwise - of explicit regional development programmes in explaining the economic disparities suffered by North Norway is the segmented corporatist system that developed in Norway after World War II. This was acknowledged in the 1984 report of the national Transfer Commission (Bygde-utvalget), appointed in 1981 with the mandate of finding the 'most cost-efficient ways to further a better regional and rural-urban balance' -

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3 Bukve, 1986:239-40, explains that 'Grunder' is the German word for 'founder'. In Norwegian, it has taken on the connotation of 'the far-seeing creative founder who builds up his successful enterprise from scratch'.

to create 'most settlement per million'. Despite lack of co-operation from some of the twenty members representing specific sectors on the Commission, the report exposed the goal conflicts between regional and sectoral policies. It called for policy goals to be specified unambiguously, such that agricultural and fisheries subsidies justified as maintaining peripheral communities would be monitored to insure that they did. The report supported the move towards 'creative entrepreneurship', but also called for experiments with no-strings funding provided to kommunes for economic development activity, in place of funding specific industries. The Commission was nevertheless reluctant to 'open up for large-scale experiments in this direction', as the 'public would be reluctant to accept new, massive forms of transfer payments' (Brox and Tesli, n.d.:27-30). In Chapter 4, the institutional consequences of these recommendations will be delineated. While support remains strong for regional development in Norway, and kommunes continue to be looked to as the appropriate political and administrative apparatus, few expect the strength of sectoral organizations on the national level to be weakened (Jentoft and Mikalsen, 1987).

Newfoundland is currently experiencing the effects of its own commission report. The Wells government came to power in 1989 largely on the mandate of implementing the House Commission recommendations (Liberal Party of Newfoundland and Labrador, Campaign '89 Policy Manual). Doug House was appointed Chairman of the Newfoundland and Labrador Economic Recovery Commission, taking over a provincial government crown corporation responsible for economic development. In December 1990, the Enterprise Newfoundland and Labrador Corporation was established, incorporating all other economic development agencies that had previously been part of various government departments (Newfoundland Information Service, Development, 12 December 1990). It is too early to analyze the programmes and policies this evolving provincial body is developing. By relating the recommendations of the Royal Commission report on which it is based to the existing institutional structures and

economic strategies in place in Newfoundland, it is possible to evaluate the constraints and possibilities on any economic development initiative attempted.

In both Newfoundland and North Norway, finally, any institutional changes or economic strategies designed to overcome regional economic disparities must take the global political economy into account, and the place of their respective national economies in it. Both Canada and Norway are part of the international effort to establish a new 'mode of regulation' to adapt to the changing productive and market forces identified as post- or neo-Fordism. The Mulroney government fought a divisive election over free trade with the United States, but unlike the Norwegian Labour Party in 1972, it won. The Canada-US Free Trade Agreement came into effect on 1 January 1990. Despite claims by some that free trade would only exacerbate the staples bias of the Canadian economy, as the removal of barriers to trade would force each country to concentrate on areas of comparative advantage (Watkins, 1989:32), for provinces dependent on resource exports to the United States it offered a promise of security to American markets increasingly threatened by protectionism (Peckford, 1988).

In Norway, as elsewhere in Scandinavia and Eastern Europe, membership in the accelerating EC bandwagon is once again on the agenda. The thawing of the cold war has made regional support for Northern Norway on strategic grounds less tenable, and subsidies going to rich farmers and fishing companies have reduced support in urban areas for traditional sectoral programmes. The likelihood of another rural-urban anti-EC coalition is therefore greatly reduced. While only a third of the Norwegian population expresses support for EC membership, the majority see it as inevitable. Membership will not only place pressures on reductions in subsidies - arguably of less significance to Northern Norway than their supporters claim - but could undermine public investment, including financial support for kommunes (Fagerberg, et al., 1990:90-91; Financial Times, 21 May 1990; Itv. Fimreite). Similar claims were made of the Canada-US Free Trade Agreement, and cuts in regional support and transfers have been felt, but these

have been more directly the result of the PC government's deficit reduction efforts.

The fiscal capacity of Norway to implement regional development strategies will retain some autonomy, even within liberalised trade arrangements, as long as oil revenues continue at significant levels. For Newfoundland, the only hope of sustained development initiatives may rest with further expansion of its own oil reserves. Most direct employment will be concentrated on the eastern part of the province, but revenues generated through fiscal linkages could be directed to development activities elsewhere in the province. For both Newfoundland and North Norway, if the vulnerability of dependence on resource exports is to be escaped, further linkages must be created and economically sustainable regional production systems fostered. Before examining the shape such economic strategies could take in these regions, it is necessary to consider their institutional and political requirements. For Newfoundland and Northern Norway up to the present, their respective national - and for the former, provincial - political and economic systems have been unable to generate the level of development expected by citizens of industrialized countries.

CHAPTER 4

The Local State in Newfoundland and Northern Norway

4.1 Introduction

As discussed in Chapter 2, there are various forms of sub-national and sub-provincial decision-making bodies. In considering the potential for locally-controlled or formulated development strategies, the relative strengths and weaknesses of each local organizational form must be assessed. Some organisational forms may be better suited to different economic strategies than others. Political economy does not only apply to the national or provincial level. The economy at all levels is the product of politics - organisational forms, social relations, political culture - combined with markets, resources, production. This chapter will outline the configuration of local politics in Newfoundland and Northern Norway, to enable Chapter 5 to explore how the various forms of local decision-making influence the creation of locally-controlled regional development strategies.

Local decision-making can consist of regional bodies or offices of the national state, local political institutions, or voluntary, third-sector groups operating on a territorial basis. The lines dividing these forms can be very nebulous. As seen in Chapter 3, Newfoundland's voluntary Regional Development Associations were established with provincial government assistance, and continue to operate with a provincial administrative grant and by applying for federal-provincial development funds. The Norwegian fylkes administer national laws, programmes and policies - such as the Regional Development Fund - but have their own directly elected council. Unlike Canadian provinces, they depend on delegation of responsibility from the national government, as there is no constitutional division of authority. Because the national government in Canada has superior fiscal powers, however, Canadian provinces depend on transfers of funds - especially underdeveloped provinces like Newfoundland - just as fylkes and kommunes do. Provinces, for

present purposes, are not included as a level of the local state because of their concurrent jurisdictional and legislative power, which enables them to claim ultimate authority within designated spheres - including the creation of local government. Like provinces, though, fylkes, kommunes, and Newfoundland municipalities (as will be seen below), do have some level of fiscal autonomy - if only granted in legislation - in their possession of taxation powers. No voluntary body has this.

Because they are levels of the state, with exclusive recourse to the legitimate use of force to implement their decisions - within areas of their jurisdiction - fylkes, kommunes, and municipalities also possess a level of authority unattainable by third-sector bodies. For the local state to be distinguishable from local or regional branches of the national or provincial state, however, it must be locally elected. Only then can we speak of decentralisation rather than deconcentration. It is only with the legitimacy gained through democratic accountability based on universal franchise (within western political cultures), that the local state assumes its dual character as agent and obstacle of the central state. Because of its fiscal and legislative dependence on higher levels, this is only a relative autonomy - but it is real, not just apparent. This relative autonomy works two ways, as the local state exercises the power to make decisions on behalf of all residents of the territory within its jurisdiction. Representatives are held accountable at periodic elections, but this is a long way from any sense of direct democracy. The local state therefore exercises a degree of autonomy from forces above and below.

Voluntary, third-sector organizations - such as Newfoundland's Regional Development Associations - claim to involve their membership in participatory, grass-roots decision-making more than formal governmental bodies, and therefore represent the needs of the community more directly. With no autonomous fiscal capacity or legislative authority, however, they have little means to implement their decisions, and as exclusive organisations, they can only speak for their members. Boards appointed by central governments to implement programmes and

policies suffer similar problems, without the potential strength of grass-roots participation. Such quangos - quasi-autonomous non-governmental organizations - may have specific territories assigned for their duties, and have substantial programme funding, but as appointed bodies they lack local accountability and their fiscal capacity exists at the discretion of the central authority. When their membership includes elected municipal representatives and members of voluntary organizations, as do federally-appointed Community Futures Committees in Newfoundland, it becomes less clear whose interests they serve: can quangos be captured by the local community?

As will be seen in the following discussion of local state forms in Newfoundland and Northern Norway, these questions of autonomy and democracy are expressed through institutions encompassing varying territorial levels and administrative capacities. How function and structure coincide largely determines the optimum territory and the necessary administration for the local state, but as local political institutions, the local polity and a sense of community seldom overlap neatly with such rational or economic criteria. The local state is the product of cumulative causation, strategic intervention and social relations. By charting the evolution and current status of the local state in Newfoundland and Northern Norway - in its several forms - an understanding of its potential and limitations for regional economic development can be determined.

Sections 4.2. to 4.5. will delineate the origins, legal autonomy and responsibilities, fiscal capacity and administrative strength of Newfoundland municipalities and Norwegian kommunes. Because of the relative weakness of local government in Newfoundland, this necessitates consideration of the role played by Regional Development Associations in supplementing, or in some cases, substituting local government in rural areas. Despite substantial jurisdictional and fiscal autonomy and administrative strength, Norwegian kommunes are not without their own constraints. Substantial responsibilities delegated to them by the national government, which are subject to national standards and requirements, limit

kommunes' ability to allocate funds as they wish and stretch their administrative resources to the limit.

Section 4.6. then compares and contrasts Newfoundland Development Associations and municipalities with Norwegian kommunes in terms of democratic participation and legitimacy. Despite the fact that the voluntary Associations are found wanting in this regard, while local government in both areas demonstrates the legitimacy gained through local accountability, Section 4.7. indicates that efforts to decentralize decision-making in Newfoundland have looked to appointed bodies of the provincial and national states and the third sector, rather than local government. In Norway, consistent with its traditional commitment to local autonomy, the kommunes have been the primary beneficiaries of decentralization, although fylkes continue to maintain a role. Section 4.8 then relates these various institutional characteristics and forms to their territorial manifestations. The fact that political institutions seldom coincide with the evolving spatial form of economic and social relations, has resulted in further proposals and experiments in structuring local decision-making, in both Newfoundland and Northern Norway. **These experiments signify recognition by higher levels of the state of the need for local actors to have effective influence over their affairs, while trying to minimize the relative autonomy of local bodies in acting as obstacles as well as agents to central policy.**

4.2 The Origins of the Local State in Norway and Newfoundland.

4.2.1 Norway.

Compared to the long history of settlement in Norway, the establishment of local government was relatively recent. The constitution of 1814, granting Norway effective autonomy over its internal affairs while remaining a protectorate of Sweden, did not provide for the formation of locally elected councils. Administrative boundaries were established on what is now the fylke level to enable some form of sub-national division, but these were controlled by appointees

of the national state - the Fylkesmann. The Law of Aldermen (Formannskapslovene), passed in 1837, laid the foundations for the evolution of the kommune structure. Significantly, the 1837 law based kommune boundaries on the pre-existing parish units, giving them a historical continuity and local identification that the administrative fylke territories lacked. Kommunes also gained local accountability and legitimacy not enjoyed by the fylkes, as the Law of Aldermen provided for elected councils, with proportional representation. Also selected on the basis of proportionality was the Board of Aldermen, an executive council, chosen from the elected council. The kommune mayor was similarly selected from the council to organize and chair meetings, prepare minutes and act as ceremonial head of the kommune. Called the ordforer in Norwegian, meaning leader of the word, the mayor possessed no special executive powers but was 'first among equals' in the true spirit of the expression (McKenzie, 1981:506; Larsen, 1985:1-2; Larsen, 1987:8-9; Itv., Larsen, 29 May 1990; Eckstein, 1966:139).

Eckstein has argued that this organisational structure reflected the widely-held norms of Norwegians concerning authority and decision-making, and because the formation of kommunes preceded most other national organisations - voluntary associations, political parties, the parliamentary system - it formed the basis for other organisational structures. He identified its main characteristics as a hierarchy of representative collegial bodies, with the more active bodies accountable to the larger, less active ones, and equality amongst the collective organization emphasized over individual roles. This homogeneity of patterns of authority, he maintained, added to the sense of common Norwegian identity, even as it originated in institutions which reinforced local autonomy. 'Local self-government' and 'decentralisation' are thus rooted in values that preceded the formal establishment of local government, were embodied by it, and were emulated by later structures (1966:134-44; Aarsaether, 1989:307; McKenzie, 367).

The pressure for the enactment of the Law of Aldermen, though, was rooted in social relations, even if the form local government institutions took reflected the

Norwegian political culture. The strength of rural landowners (1), expressed in the rural dominance enshrined in the 1814 constitution, also led to a demand for local autonomy. As Swedish civil servants administered the national state, this demand was partly economic and partly nationalistic and cultural (Esping-Andersen, 1985:46).

From 1837 the number of kommunes steadily increased, with the establishment of new settlements and the division of larger kommunes into smaller units. Tromso, with a town charter establishing the right to independent trade dating from 1794, initially included communities as far north as Lyngen. From the time of the Aldermen's Law, Lyngen became a separate kommune, which in turn sub-divided further in the 1920s. Vega in Nordland Fylke traces its council's roots to 1838, just after the Law's introduction, while Salangen in south Troms was incorporated in 1871, although it had existed as a settlement for hundreds of years prior to that. By 1960, before the amalgamations of that decade, there were 120 kommunes in North Norway, out of 744 nationally (McKenzie, 1981:508; 'Tromso Norge', Information Sheet; Itv. Lyngen Kommune, Consultant; Itv. Vega Kommune, Mayor; Itv. Salangen Kommune, Mayor).

4.2.2 The Origins of a Reluctant Local State in Newfoundland

The political underdevelopment of Newfoundland prior to Confederation, noted in Chapter 3, was even more pronounced on the local level. Prohibition of settlement until 1824, with concomitant absence of property rights, rule of law and domestic political structures, had as much impact in stifling political development on the local level as it did on the national. When representative government was established in 1832, followed by responsible government in 1855, the verb used was 'granted', not 'achieved' or 'won'. As argued by Neary, democracy is a 'frail transplant' in Newfoundland. It came not as a result of a mass popular movement

1 Helge Larsen noted in comments on a earlier draft of this Chapter that this was landowners 'in the sense of farmers rather than a few (noble) men owning large areas of land'.

but as a consequence of accommodation of the St. John's elite (1969:37-39; Crosbie, 1956:332).

Significantly, the agitation for representative government was led by a Scot, William Carsen, a doctor practising in St. John's. Most Newfoundlanders were descendants of the English West Country fishermen who first came to the Island, or of the Irish immigrants who arrived during the potato famine. Most of the former emigrated before democracy was very far advanced in England, while the Irish had a well-based suspicion of the state. Unlike Nova Scotia, New Brunswick and Ontario, Newfoundland did not experience the influx of United Empire Loyalists at the time of the American Revolution, who brought with them traditions of local self-government. The strength of Catholicism in many Newfoundland communities has also been identified as a factor limiting calls for local autonomy. Deference for established authority and acceptance of hierarchy was inculcated by clergy who provided the sole source of authority in many isolated outports. The early control of education and welfare measures by the church also filled some of the roles traditionally assigned to local government (2) (Newfoundland. Royal Commission on Municipal Government in Newfoundland and Labrador, 1974 (Hereinafter Whalen Commission):27; Neary, 1969:37-40; Crosbie, 1956:334-35).

The economic underdevelopment of Newfoundland, finally, has been pointed to as inducing a conservatism in the poor fishing families, who feared any change that could result in them losing what little they had. Combined with the economic and political centralization of power in St. John's, this reinforced a system of political patronage and paternalism - to match the economic patronage of the merchant. Any benefit from the government was seen as a reward for returning a member to

2 The predominance of dispersed, coastal settlements has also been identified as a factor limiting a need for local provision of sanitation and roads, and hence local government, Crosbie, 1956:334-35, but this did not limit its development in Norway, where similar geographic conditions prevailed.

the government benches, not as a right demanded by citizens of their elected representatives (Wadel, 1969:148; Neary, 1969:38,41-42).

Despite this absence of pressure for local decision-making, and the abuse of their power for electoral purposes by national politicians, the need by central governments to have local representatives to implement programmes and policy led to repeated efforts to establish local bodies. This was the case as roads were expanded to facilitate the Newfoundland government's import substitution development strategies in the late 1800s. In 1890 an Act provided for election of boards in districts designated by the government. While their primary purpose was to create and maintain local roads, solely on the basis of grants received from the central government, Coaker's Fishermen's Protective Union was successful in capturing control of several boards in its agitation for more government support for the fishery. Not surprisingly, elections were discontinued and boards either fell into disuse or were controlled by appointed commissioners (Crosbie, 1956:338).

Even St. John's was unable to maintain an elected local government during this period. Dr. Carson had unsuccessfully lobbied for an elected council in the 1830s, and not until 1888 was one established. Ten years later this was replaced by an appointed council, and alternation between elected and appointed councils continued until 1921, when St. John's was incorporated as a city with its own Act (Whalen Commission:28). The 'frailty' of democracy in Newfoundland was convincingly demonstrated by the country's willingness to give up responsible government in 1934, with only two votes against in the House of Assembly, and no referendum held, when the Commission of Government was appointed by Britain (Neary, 1969:37).

The Commission nevertheless saw the need for local government and introduced an act in 1933 enabling creation of municipalities by order, but none were incorporated - by compulsion or request. A policy was soon announced offering to subsidize any community which sought to become a municipality, but again, there

were no takers. The Commission of Government persisted in its efforts to inculcate 'a public spirit and a sense of civic responsibility' (Amulree Commission, cited in Crosbie, 1956:339) amongst Newfoundlanders, and its next initiative responded to yet another impediment to the development of local government which continues to the present in rural areas of the province.

The late provision of property rights in Newfoundland meant that fishing families who finally gained title to their land guarded it jealously. In a cash-poor economy, operating on credit, any threat of direct taxation was violently opposed. Most of the country's revenues had been generated through customs and excise duties (explaining Newfoundland's vulnerability to the drop in fish prices during the Depression) so most people had never paid any direct taxes. A campaign for Newfoundland to join Canada in 1869 had been rejected by many because 'Confederation would mean municipal government, municipal government would mean property taxation, and property taxation would result, on non-payment, in fishermen losing their boats, nets and land' (Crosbie, 1956:334-35). The Commission's Local Administration Act of 1937 had provided for property taxes, and even the promise of subsidies failed to tempt communities to incorporate. Consequently, the Commission offered to pass a separate act for any community willing to incorporate, including the form of taxation preferred. This initiated some response, with three communities incorporated by 1943, in addition to St. John's (ibid.:339).

War-time prosperity may have made taxation seem less onerous and the creation or expansion of several communities around military bases provided incentive for formation of municipal government to maintain necessary services. A Local Government Division was created in 1944 and a promotional campaign using news media and public meetings encouraged communities to incorporate. By 1948, Newfoundland had a total of twenty incorporated municipalities. Five of these were imposing property taxes, while the others collected an annual service fee ranging from three to ten dollars. Lewisporte and St. Anthony were amongst these

early local governments. Out of some 1500 settlements throughout Newfoundland and Labrador in 1945, however, this still represented a fraction of communities and less than a quarter of the total population. In more than one community, local government organizers were hounded off the platform and out of town, and numerous local leaders in support of incorporation were subjected to verbal and physical abuse (Whalen Commission, 30-31; Copes and Steed, 1975:97; Government of Newfoundland and Labrador, 1986b:75,120).

Opposition to direct taxation was again an issue in the Confederation campaign of 1948. When Newfoundland became Canada's tenth province in 1949 it maintained its responsibility for municipal government under the federal division of powers. The new provincial government introduced a Local Government Act in 1949, to replace the practice of special acts for each community. A promotional programme continued, along with tales of government employees being attacked and their cars damaged or burned, and the government adopted a policy of incorporation only where a majority signed a petition in favour (Crosbie, 1956:334,340; Forsey, 1988:27; Boswell, 1984:12).

The Smallwood government took full advantage of the weakness of local democracy, moreover, by continuing the tradition of patronage. On the strength of federal transfer payments and transitional funding, Newfoundland's central government had substantial resources with which to court voters. Neary compared Smallwood to the liberator of a former colonial territory in his political grip on the province (1969:43-44). Community leaders were encouraged to approach the premier's office personally to gain access to government funds and programmes. Even where local government had been established, this undercut its legitimacy in claiming to represent the demands of the community. As Boswell has observed, 'citizens who felt aggrieved by the municipal council need only appeal directly to the premier for relief'. The price of maintaining control in this way, Wadel argued in 1969, was 'to keep the average Newfoundlander, politically immature and

dependent on the Government' (Newfoundland. Royal Commission, 1986:27-28; Boswell, 1984:13-14; Wadel, 1969:152).

Local government nevertheless continued to spread in Newfoundland. Expansion of public-sector employment, seasonal work in infrastructure construction and federal social transfers provided the basis of a cash economy where taxes, still opposed, were tolerable. Increased education and North American media saturation eroded early anti-statist proclivities, and the paternalistic policies of the Smallwood government reinforced a perceived need for sub-provincial representative bodies, as witnessed in the creation of the Regional Development Associations. The 1949 Local Government Act provided a number of forms of local government, and these were supplemented on an ad hoc basis. Rural Districts came under the same provisions as Towns, but included a number of contiguous communities that amalgamated for municipal incorporation, without surrendering their individual identities. Local Improvement Districts allowed for the appointment of three member boards to supervise an area where an influx of people was expected. This was used for fisheries growth centres, military bases and, in the case of Gander, when a town site was planned next to the airport. In 1954 Gander became an incorporated Town with an elected council. In 1952, finally, a Community Councils Act was passed for communities too small to justify the budgeting and administrative costs of the other forms of local government. These councils were based on the principle of direct democracy, with a council of three elected at an annual public meeting of all tax-payers and with important decisions voted on by the whole body of voting citizens (Neary, 1969:45; Crosbie, 1956:340-45; Government of Newfoundland and Labrador, 1986b:48).

By 1981, 308 of the province's 723 communities (greatly reduced since 1945 due to resettlement - assisted and unassisted) were incorporated, including all but two communities of more than 1,000 people, and accounting for 86 percent of the total population (Boswell,1984:2-3; Newfoundland. Royal Commission, 1986:58,366). While 26 percent of the province's rural population remained in unincorporated

communities, the growth in the local state in Newfoundland in the years since Confederation has been phenomenal. How real local state autonomy is, and how much democratic participation on the local level has grown, remains to be seen.

4.3 Legal Autonomy and Responsibilities

4.3.1 Norway

The local state, because it has no independent constitutional authority, can only be relatively autonomous. Its responsibilities and liberties are established in legislation and practice. The juridical authority of the local state in Norway, nonetheless, was the result of political struggle by the rural landowners who would form the basis of Norwegian social democracy (McKenzie, 1981:379; Esping-Andersen, 1985:46). Consequently, few legal restrictions were placed on kommunes in the 1837 Law of Aldermen. The contemporary legislation - the Kommuneloven - maintains the principle of defining the responsibilities of kommunes in a negative sense: they can take on any function or activity they wish, provided that it is not explicitly assigned to other levels of government (Norwegian Association of Local Authorities, 1988:1; Larsen, 1982:3). As will be seen in Chapter 5, this provides Norwegian kommunes with the freedom to enter new areas of activity - such as economic development. Legislative autonomy without fiscal capacity, discussed below, is of little utility, however.

Norwegian kommunes have been delegated sufficient functions by the national government to prevent them from having to look for activities. Larsen has suggested that kommunes are not only the most important political body on the local level in Norway, but have also become the most important local institution, surpassing the church, the school or the local constable (1987:3). Their functions range from the traditional local government tasks of land use planning and constructing and maintaining local roads and water and sewer systems, providing primary schools, fire protection, and refuse collection, to staffing and administration of welfare and preventative health services, operation of day care

centres and nursing homes, and assessing and collecting income taxes. They can also own and operate hydroelectric plants and harbour installations, not to mention such things as local cinemas and, in some cases, restaurants (Eckstein, 1966:136).

Most of the kommunes' functions expanded greatly in the post-war growth of the welfare state, as the local state was used by the national government to implement policy and programmes. While the range of functions assigned to it increased the political importance of kommunes, their freedom to implement these as they saw fit was limited by national standards or norms. Termed normative controls by McKenzie - as opposed to juridical controls - minimum requirements for service provision meant that the local state was left with little discretion or autonomy in the discharging of its functions (McKenzie, 1981:384-89). Kommunes were increasingly enmeshed in 'a web of linkages' with agencies and ministries on the central level, with priorities driven by the increasing influence of the sectoral organisations of the corporatist state (Aarsaether, 1989:302-3; Baldersheim, et al., 1989:72). As noted by Olsen, such decentralisation was often a means for the national state to avoid the difficult issue of reconciling national standards with local variation in needs and values (1983:207-9).

As seen in Chapter 3, flylkes also grew in responsibilities and political development in the post-war period, particularly during the 1970s. As early as 1946, the need for larger regional units than kommunes was discussed on the national level. As part of the post-war modernization planning process, the Local Authority Boundary Commission (Kommuneinndelingskomiteen) was established to consider 'rationalizing' kommune boundaries. The strength of rural Norway within the national parliament prevented any wide-scale changes, just as it had repeatedly rebuffed the centralization development strategies of the period. Not until the 1960s was the number of kommunes reduced, from 744 to 451 (from 120 to 90 in North Norway): less of a reduction than the reformers intended (McKenzie, 1981:510-12; Aarsaether, 1978a:3; Olsen,1983:30-33).

One means for the national government to circumvent the strength of kommunes was to implement sectoral policies through the development of the corporatist state. Another was to strengthen the existing fylke structure. The implementation of direct elections for fylke councils in 1975 provided them with a measure of legitimacy on the sub-national level equal, in principle, to the kommunes. Up to that point, fylke councils had consisted of representatives selected by each kommune. Until 1964, the council consisted of the kommune mayors. Fylkes are in no way superior to kommunes in legislative terms, describing themselves as 'partners in service' (Itv. Nordland Fylke, Free County Project Leader). They have been delegated with responsibility for those functions thought to require a larger population base or territory for efficient delivery. These include secondary schools, hospitals and regional communications - roads between kommunes, bus and ferry services - as well as the Regional Development Fund. As will be seen, though, the origins of fylkes as sub-national administrative divisions with no inherent political identity, means that they continue to be thought of as agencies of co-operation for the kommunes and as one of several means to link kommunes with the national level (Eckstein, 1966:141; Baldersheim, et al., 1989:96; Nilson, 1982:7).

4.3.2 Local State Reform in Newfoundland: Increasing Autonomy without Functions

On 1 April 1980, two new acts concerning local government came into force in Newfoundland: the Municipalities Act and the Municipal Grants Act. Both were based on the 1974 Report of the Royal Commission on Municipal Government in Newfoundland and Labrador - the Whalen Commission. Chaired by Memorial University Political Scientist, Hugh Whalen, the Report called for wide-ranging changes in the province's local government system, to permit greater decentralization of decision-making and fiscal responsibility.

The forms of local government were subsequently simplified in the 1980 Municipalities Act and several areas of Ministerial control abolished. Local

Improvement Districts and Rural Districts were converted into Towns, and Community Councils, with the exception of their electoral status, were given the same powers as Towns. To mitigate opposition from previously 'distinct' communities within Rural Districts, councils could choose to have a ward system to enable territorial representation within the Town. Ministerial approval of municipal by-laws was no longer required within areas specified as municipal responsibility, and Towns were free to chose whether to select mayors from their council or to have direct elections (Whalen Commission, 1974:400-1; Boswell, 1984:5-6).

In terms of municipal responsibilities, however, little changed with the new act. Because all municipal powers are legally delegations of some of the authority allocated by the constitution exclusively to the province, municipal activities, unlike the Norwegian kommunes, are limited to those areas explicitly prescribed for them by statute. Functions considered natural local government responsibilities elsewhere in North America, not to mention Scandinavia, remained under provincial control in Newfoundland. Support and financing of primary and secondary education is administered through the religious denominations and local school boards independent of municipal government. Public health and welfare are totally within the control of provincial government departments. A provincial force polices the cities on the island and one town in Labrador, while the national force covers all other areas. In St. John's, even the fire department comes under the provincial Department of Justice. Consequently, as described by one former mayor, the role of local government as far as the province is concerned is to 'pave roads, then tear up the pavement to install water and sewer systems, and then pave them again and plough snow off them and pick up garbage from beside them' (Itv. Town of Pasadena, Development Officer, 29 September 1989; Whalen Commission, 1974:48; Crosbie, 1956:343-44).

While Norwegian kommunes may complain of too many central functions being devolved for them to implement, Newfoundland municipalities are calling for a

decentralization of provincial government departments to the local level (Newfoundland and Labrador Federation of Municipalities (Hereinafter NLFM), 1990:6). Even the juridical authority of municipal by-laws is in doubt, as the provincial government is reviewing the access of municipalities to powers of injunction by the courts to prosecute offenders. The Minister of the Department of Municipal and Provincial Affairs has supported an examination of legislation to strengthen municipal authority in this regard (ibid.:28).

When it comes to municipal authority challenging provincial control, however, the Minister has been less supportive. A request in 1988 that councils be given prior notice of investigations of their activities by Department officials was refused on the grounds that this would 'restrict their flexibility and freedom of Ministerial authority under the Department of Municipal Affairs Act, would undermine the discretionary powers of the Minister, and would reduce the effectiveness of the investigative procedures' (NLFM, 1989b:16). Despite the growth of local government in Newfoundland, and successive reforms, central discretionary powers and authority are still seen to outweigh claims to local autonomy.

4.4 Financing the Local State

4.4.1 New undland: Imposing Municipal Self-Reliance / Undermining Household Self-Reliance

The Whalen Commission observed that the growth in local government in Newfoundland had been largely the result of communities vying for provincial government funding. While early legislation gave municipalities powers to raise revenues locally on the basis of property, business and various service taxes, few were able to raise sufficient funds to meet their operating and capital expenses - despite their limited range of responsibilities. This was particularly the case in funding road construction and maintenance, and installation of water and sewer systems. Consistent with the tradition of political patronage, much of this funding was dispensed on the basis of ministerial discretion (Whalen Commission, 1974: 6-13; Boswell and Norman, 1987:3; Boswell, 1984:1-4).

The Municipal Grants Act of 1980 subsequently responded to several of the Commission's recommendations in formalizing provincial funding to municipalities and encouraging greater municipal self-reliance. Seeing no room for an expansion of income taxation, already levied by the federal and provincial governments, and opposing the reliance of most municipalities on regressive service fees (or poll taxes), property tax was to become the main source of locally raised revenue. The Act required all municipalities with a majority of residences with water or water and sewer services to levy a property tax, as well as any applying for provincial assistance for these services. The new provincial grant system included provisions for demographic criteria, economic disparities, additional funds to encourage greater local taxation and capital projects funding. While enforced self-reliance is not exactly an expression of local democracy, municipal autonomy was enhanced with the removal of ministerial approval for municipal budgets (Boswell, 1984:10-11).

These reforms lessened the degree of political patronage involved in municipal financing, indicated in an increase in the percentage of councillors who felt that their community was treated equally as others by the province. The fact that 22 percent in 1985 still felt that their community was treated 'much worse', however, reveals continued discontent with the provincial grants system (Boswell and Norman, 1987:17). It is not uncommon for entire councils to resign because they feel unfairly treated in provincial grant allocations. This occurred in Anchor Point on the Northern Peninsula in 1989, when the Community Council resigned en masse to protest at a grant of $30,000 to repair the local water system. Two months later an additional $25,000 was provided, after the provincial Department of Municipal Affairs asked that the resignations be postponed to give it time to respond (Northern Pen, 5 July 1989, 12 July 1989, 16 August 1989). The fact that council resignations, or the threat of them, can get such a positive reaction from the provincial government is an indication of the perceived legitimacy of local government, despite continued central discretionary powers.

Provincial funding criteria have also created distortions in municipal policy preferences. Many municipalities, still loath to impose property taxes, rely on poll taxes based on services provided. Liability is tied to national taxation criteria. Only people with income greater than the federal basic personal exemption level are liable to pay poll taxes, leading to municipal opposition to increases in the level - otherwise a progressive measure. Similarly, unlike Regional Development Associations, funding criteria generate municipal opposition to make-work projects, as more funds are provided according to numbers on Social Assistance, but not on Unemployment Insurance. Local fiscal autonomy is limited more directly by provincial refusal to allow municipalities to set their own minimum business tax (NLFM, 1989b:4-6,18). For towns such as Port au Choix, where a prosperous fishery for most of the 1980s and a decision to levy business tax on fishermen provided substantial revenues, the existing structure has been beneficial (Itv., Town of Port au Choix, Mayor; Clarke, 1989a; Northern Pen, 24 May 1989). For most rural communities, however, a prosperous fishery is a contradiction in terms and few other forms of business exist.

Provincial interference is also evident in restrictions on taxation of some corporations and public utilities. The City of Corner Brook is not allowed to tax the paper mill, its largest industry, under legislation dating from when the mill opened (Itv., Greater Humber Community Futures Committee, Chairman). While federal crown corporations pay grants in lieu of taxes to municipalities, most such provincial bodies do not. In 1989 the province was considering allowing municipalities to levy a business tax based on earnings combined with a property tax on provincial crown corporations, but at a common rate set by the province for all municipalities (NLFM, 1989b:4; Gushue, 1989b; Northern Pen, 28 June 1989). Finally, as will be discussed in Chapter 5, Newfoundland municipalities are not permitted to borrow on capital markets or to own shares, further limiting their ability to act independently of provincial controls (Itv., Town of Lewisporte, Mayor, 7 September 1989).

In 1990, the provincial government introduced yet another framework to govern municipal funding. The new system of operating grants and subsidies, being phased in from 1991 to 1993, is explicitly designed to enable the province to limit the total funding available to municipalities and to encourage them to raise more funding through local property taxation (Newfoundland Information Service, Municipal and Provincial Affairs, 19 December 1990). Seen by the PC opposition as part of the Wells administration's deficit-cutting measures, the changes represent, in the Minister responsible's words, a view that 'There's an awful lot of communities in Newfoundland that are charging almost nothing...They've got an awful lot of room to increase their revenues' (Gushue and Gullage, 1990). These changes in provincial funding, ironically, coincide with municipal demands for federal funding of municipalities, to meet costs of updating local infrastructure (Itv., Greater Humber Community Futures Committee, Chairman; Jackson, 1989). Not only is the federal government opposed to entering a new area of spending exclusively within the jurisdiction of the provinces (Hardy, 1989), but a new federal value added tax is likely to increase taxes paid by municipalities (Daw, 1989).

Newfoundland local government is thus caught in its own fiscal crisis. Yet, many rural councils still suffer an aversion to imposing direct taxation. For rural Newfoundlanders, federal transfers and seasonal employment have made cash more readily available than in the pre-Confederation period, but average incomes are still substantially lower than those of urban Newfoundlanders and other Canadians. Home ownership, as seen in Chapter 3, represents a tangible advantage for contemporary Newfoundlanders living on low and insecure incomes. Low municipal taxes have been identified as a significant component of the continuing viability of this 'economy of the home', if not home economy (Richling, 1985:241; House, et al., 1989:126). While the House Royal Commission identified high local taxation as a constraint on local manufacturing - primarily on the basis of complaints from an Ontario-based shoe manufacturer with a branch plant in

Newfoundland - it did acknowledge that local government required new financial arrangements:

> Newfoundlanders are loath to pay property taxes and, indeed, a property-tax system is not well suited to the economy of rural Newfoundland. This weakens the position of the municipalities, which are continually beholden to the provincial government for grants. Alternative mechanisms for local government funding should be examined. In Norway, for example, a proportion of personal income tax is automatically transferred to county and municipal governments. Such a system should be considered for Newfoundland, and need not be costly as long as responsibilities are transferred to the local level in proportion to their improved financial base.

The Commission Report failed to make a specific recommendation on this, calling instead for an examination of new mechanisms of funding (1986:160,442). As has been seen, the results of this examination have placed even greater pressures on municipalities to impose and increase property taxes. Boswell reported in 1984 that people were less willing to become councillors in Newfoundland because of reluctance to impose and enforce property taxes against neighbours (1984:13). With few financial resources, municipalities were also short on administrative and manual staff, requiring elected officials to be expected to perform all manner of tasks (Moores, 1985, Appendix 4 in Norman, 1985). Before examining levels of administration and participation in Newfoundland local government, the success - or otherwise - of the Norwegian system of financing the local state can be analyzed.

4.4.2 Financing the Local State in Norway: Autonomous Restraint or Restraint of Autonomy?

Like Newfoundland before Confederation, the Norwegian national government in the 1800s depended on customs and excise duties for most of its revenues. As established in 1837, kommunes relied on property taxes as their main source of income. When demands for infrastructure construction increased in the second half of the decade, property owners rebelled against increasing taxes. Once again, the political strength of rural land owners on the national level was sufficient to force accommodation of their interests, this time in the form of increased reliance on income tax. This was a gradual transition, but by the 1930s income tax replaced

property tax as the main source of kommune revenues. For many peripheral kommunes, however, income tax raised insufficient income to pay for their expanding functions. Indeed, reminiscent of Newfoundland's surrender of responsible government, several kommunes were taken under the direct control of the central administration when they failed to meet their burgeoning debts in the 1920s and 1930s. These were partly the result of kommune investments in hydro-electric and other projects during the period of high war-time inflation, and also because of decreased revenues and increased kommune expenditure on social security payments with post-war unemployment (McKenzie, 1981:34,386,506-9).

Newfoundland turned to the generous transfer system of the Canadian welfare state for a seemingly long-term 'solution' to its fiscal (if not developmental) problems; the Norwegian national government bailed out the kommunes, but also at a price. As discussed in Section 3.4., kommunes' functions expanded greatly after World War II, enmeshed in the sectoral programmes of the developing corporatist state. National standards and norms limited kommune flexibility in implementing these programmes, and national earmarked grants were the means to ensure compliance (ibid.: 386). By the 1970s, expenditure increased dramatically, as sectoral organisations pressed for expanded programmes and peripheral regions benefited from the decentralisation of the welfare state to the local level. By 1985, though, earmarked transfers accounted for 30.5 percent of kommune revenue, compared to 16.5 percent ten years before. The percentage raised through local taxation dropped over the same period from 75.6 to 56.9 percent. The freedom of kommunes to set their own income tax level is further limited by national limits, with all kommunes levying the maximum 14 percent (Baldersheim, et al., 1989:76; Larsen, 1985a:2).

Kommunes still have greater fiscal autonomy than fylkes, which are entitled to only 7 percent of income tax and which had the greatest increase in expenditures in the 1970s (Baldersheim, et al., 1989:76; McKenzie, 1981:395). For kommunes with hydro-electric plants within their boundaries, moreover, local fiscal

autonomy is greatly enhanced. Kvaenangen, a kommune of 1,600 inhabitants in North Troms, earns between four and five million NKr annually from property taxes and concessionary fees from the local hydro company - a far cry from the limitations placed on Newfoundland municipalities. Not all North Norwegian kommunes are so fortunate. In 1988, over 50 percent of the revenues of kommunes within Troms fylke came from the central government (3) (Itv. Troms National Administration, Economic Consultant; Troms National Administration, Internal Statistics). For the island kommune, Vega, in Nordland fylke, over 75 percent of its annual budget of 60 million NKr was accounted for by national transfers in 1989 (Itv., Vega Kommune, Kommune Manager).

After 1985, though, the percentage of national transfers did not necessarily represent the loss of kommune autonomy. In that year the first kommune budgets were prepared for the start of a new system of local state finance in 1986. Kommune politicians had expressed growing resentment of national control of local funds during the expansion of the 1970s. In the 1980s this became part of the general frustration with the sectoral organisations which welded increasing influence in setting national spending priorities. On the kommune level, this made success in attracting funding on a sectoral basis more important than integrating programmes on a territorial basis. For the national government, these factors led to increasing expenditures at a time of growing deficits. The solution was to replace the close to one hundred specific grants with a system of bloc grants, which enabled the kommune to set its own priorities in allocating national funds on the local level. National expenditure would be brought under control in a way which, the central authorities claimed, would enhance local autonomy and make policy more responsive to local conditions (Aarsaether, 1989:302; Baldersheim and Fimreite, 1989:3-4; Larsen, 1985a:16-17).

3 This percentage would be higher if the Troms regional centres of Tromso and Harstad were excluded, as these receive only 25 and 32 percent of their revenues, respectively, from the national government.

The reality of the new system of bloc grants has been less favourably perceived by most kommunes. Kommune councils are able to set their own priorities in spending national funds, but strictly within the limited amounts set by the national criteria. Because the criteria are for the most part based on objective demographic measures, kommune delegations are less able to receive special consideration on the national level for additional funds. National guide-lines and standards are still in effect for kommune administered programmes, moreover, so council discretion in allocating funds is limited. Kommune politicians and administrators in North Norway complain that fulfilling legislated functions leaves little or nothing for them to re-allocate (Aarsaether, 1989:303-4,306-7; Baldersheim and Fimreite, 1989:4; Itv. Lyngen Kommune, Mayor; Itv. Salangen Kommune, Mayor; Tromso Kommune, City Engineer). Indeed, concern in one North Norwegian kommune that bloc grants would limit their ability to deliver services was so extreme that the entire council resigned. In marked contrast to the Newfoundland experience, this was unprecedented in Norway (Larsen, 1987:20).

Several Scandinavian commentators have argued that the very survival of peripheral kommunes is threatened as the national government is relieved of responsibility to protect weak groups and regions. Kommunes with large tax bases will have a relative advantage over those which rely on national funds. Out-migration to areas with better services and employment prospects will lead to decreases in the demographic criteria on which bloc grants are based, leading to reductions in transfers and creating a vicious circle of increasing disparity (Itv. Berg; Berg, 1987:168-70; Monnesland, 1989:94; Brox and Tesli, n.d.:23).

Similar arguments have been made concerning Newfoundland's dependence on federal transfers. In both instances, however, the circles of increasing disparities were already in existence before reductions in transfers, largely as a result of the balance of power within national institutions. At least in the case of Norwegian kommunes, peripheral communities are gaining some degree of increased autonomy in spending national funds to develop their own strategies for self-

preservation. Despite the complaints of insufficient funds to exercise discretion made by North Norwegian kommune officials, they have implemented numerous innovative strategies to benefit their communities, as will be outlined in Chapter 5.

The effective increase in local autonomy, despite protests to the contrary, is indicated by growing concern that the national government is unable to maintain control over service provision. An earmarked grant was preserved for this very reason in the provision of day care, and additional specific grants have emerged to meet new social demands. The Norwegian programme to combat AIDS has been handled in this way, as has the effort to accommodate increasing numbers of political refugees immigrating to Norway. In the latter case, kommunes have been delegated responsibility for the operation of refugee centres, using earmarked national funds. As observed by Aarsaether, sectoral ministries on the national level are not openly confronting the new grant system, but are incrementally circumventing it (1989:304,310-11). The battle of sector versus region, corporatist versus territorial representation, continues.

For the local state in Norway to benefit from this contested form of decentralisation, finally, it must have the political and administrative competence and consensus to maximize any opportunities to exercise local discretion. Based on preliminary observations, some have suggested that the bulk of additional responsibility under the block grants system has fallen to kommune managers - the radmann (Baldersheim, et al., 1989:93). Increased autonomy raises the stakes of local politics, however, as kommune politicians are forced to respond to local demands. One North Norwegian economic development officer contended that local politicians could not set effective local priorities because they were unable to make tough decisions on long-term strategies. He added, significantly, that neither could national politicians (Itv., Vega Kommune, 4 June 1990). For political and administrative actors on the kommune level to take 'the best route to partial failure', some means to co-ordinate sectoral agendas to meet regional needs must

be found (Aarsaether, 1989:303). Before examining the latest Norwegian innovations in enhancing local autonomy, the administrative competence of the Norwegian local state can be usefully contrasted with the lack thereof in the Newfoundland context. The weakness of Newfoundland local government in this regard has led to numerous institutional forms to fill the perceived void, generally with little regard for local autonomy or democratic accountability.

4.5 Local Administrative Capacity in North Norway and Newfoundland

In view of the fact that the Norwegian welfare state has been implemented primarily through the kommune level, it is not surprising that kommunes are major employers. In 1975, kommunes and fylkes combined employed 11 percent of the total Norwegian labour force, compared to 7 percent by the national government. This was largely on the strength of a 40 percent increase in local state employment between 1969 and 1975. Beside public employment in the education and health sectors, the central administration of the local state also grew in quantitative and qualitative terms during this period, spurred by the introduction of land use planning after the completion of kommune amalgamation in 1965 (McKenzie, 1981:327-44,441-43). In many North Norwegian kommunes, local government is the largest employer. With less than 50,000 residents, Tromso Kommune employs some 150 administrative staff and 2,500 municipal workers (Itv.,Tromso Kommune, City Engineer). Lyngen, with 3,800 residents, has 20 administrative staff and about 220 employees in all (Itv., Lyngen Kommune, Consultant). As will be seen, the very existence of such a relatively large administrative capacity on the local level creates possibilities for local initiatives by Norwegian kommunes.

Educational levels of administrative staff within local government have also increased since the 1960s. Brox and Tesli suggested that as 'children of the EEC struggle' took over planning jobs, the local state, particularly the fylkes with the introduction of the 'Provincial Plans' of the mid-1970s, reflected their training in the 'softer' social sciences. Decentralisation was supported in political rhetoric

and administrative reality (n.d.:13-14). In 1980, kommunes were required by law to have a position of city manager - the radmann - to co-ordinate the local administration (Larsen, 1985b:13;). The introduction of bloc grants, with mandatory annual and four-year plans, has forced kommunes to employ trained staff. For Lyngen, this meant that the radmann of twenty years had to resign, to be replaced by a woman with experience in local government budgeting in southern Norway (Itv. Institute of Social Sciences, Project Leader; Aarsaether, 1989:304,308). National regulations and policy changes have thus contributed substantially to enhancing the administrative strength of local government. While repeated efforts have been made to circumvent the political power of kommunes by strengthening the fylkes (and catering to the sectoral organisations), the lowest level of the local state is still considered the most powerful (Itv., Salangen Kommune, Opposition Leader and member of Troms Fylke Council).

Employment by Newfoundland municipalities reflects their minimal level of responsibilities and fiscal capacity. Most rural municipalities employ, at most, a town manager, a secretary, and an all-purpose maintenance man. A relatively prosperous municipality such as Port au Choix has 3 office staff and 2 full-time maintenance men (Itv., Port au Choix, Mayor). Even larger centres such as Lewisporte and St. Anthony, with populations of over 3,000, employ less than thirty each, a far cry from Lyngen's 240 employees. While the functions of local government do not require the numbers employed in Norway, a relatively weak administrative base limits possibilities created by having a pool of trained staff. In towns such as Campbellton, near Lewisporte, with less than 1,000 people, members of council are expected to do maintenance work and respond to service problems personally, because they cannot afford paid staff (Itv., Lewisporte Area Development Association (Hereinafter LADA), Vice President and Mayor of Campbellton). As will be discussed below, this discourages participation in local government, decreasing its legitimacy and diminishing its chances of gaining greater responsibilities and resources.

Indeed, elected members of small municipalities often turn to Regional Development Associations in their areas as a means to pool resources and gain access to provincial and federal funding. When the Lewisporte Area Development Association (LADA) was formed in 1969, its first two projects were the construction of a community hall and the installation of a water supply in one of the many unincorporated communities within its boundaries (LADA, Membership Information Handbook, 2). Associations are a substitute for weak or non-existent local government; they seldom operate where municipalities - by Newfoundland standards - are well developed. Even though LADA's office is situated in Lewisporte, it has few dealings with the Town Council (Itv. Town of Lewisporte, Mayor, 7 September 1989). The same holds true for the Red Indian Lake Development Association (RILDA), incorporated in 1975. Although the region has only three communities, no member of the Board of Directors is from Buchans, the largest town, and three-quarters are from the only unincorporated community (Buchans, 'Community Newsletter':ix). On the Great Northern Peninsula, where few communities are incorporated, Development Associations take on the tasks normally performed by local government. Within the St. Barbe Development Association area, only five of twenty-five communities are incorporated. For the twenty communities without councils, the Association generates funds through employment projects to install water systems, construct community centres and establish volunteer fire brigades. If a resident has a complaint or inquiry about a community matter, they contact the Development Association office (Itv., St. Barbe Development Association (Hereinafter SBDA), President).

These practices are consistent with the view that Development Associations originated largely because of the absence of local government in most rural communities in the 1960s and 1970s (O'Reilly, 1987:76; Johnston, 1980:25; Simms, 1986:44). In fact, on Fogo Island it was the abandonment of Local Road Boards in 1963 by the provincial government that prompted the formation of the local voluntary committee which preceded the Development Association (DeWitt, 1969:42-47).

As seen above, however, by 1981, 74 percent of the rural population lived within incorporated communities. Where Town Councils exist, Development Association activity diminishes. Port au Choix hoped to use the St. Barbe Development Association to get a water and sewer system but, according to the Town's mayor, the Association was not interested in helping them because they were too rich. The Town Manager, who is a member of the Association, explained that 'the Town has assumed the role normally played by Development Associations'. Consequently, there was not much interest in the Association by Town residents, to the point that they could not form a local committee of the Association (Itvs., Port au Choix, Mayor and Town Manager). The President of the Association confirmed that where municipal governments were established, there was less dependence on their organization, with smaller turn-outs at local committee meetings (Itv., SBDA)

The Pasadena Economic Development Officer, and former mayor, Bill Pardy, similarly argued that 'at the time of their formation, they helped fill a gap when there was no local government'. Now, Development Associations were 'outmoded, outdated institutions', locked into make-work funding (Itv., 29 September 1989). Such funding, nevertheless, could be substantial. Combining their annual administrative grant, set at $36,500 in 1989, with a range of federal and provincial make-work, fisheries infrastructure, and other project funding, Development Associations brought much-needed jobs and funding into rural areas (Newfoundland. Royal Commission, 1986:370). LADA's original objective, its members handbook explains, was 'to identify and pursue funding for projects' in the region, a goal which the co-ordinator of RILDA agreed was the Association's primary purpose (LADA, 'Membership Information Handbook':2; Itv., RILDA, Development Co-ordinator). In ten years, from 1978, RILDA brought over $5 million in project funds into the three communities in its region (Buchans, 'Community Newsletter': ix). The St. Barbe Development Association has averaged some $700,000 per year in project funds in recent years (Itv., SBDA:President).

As described by Sinclair and Felt, such dependence on government funds has made Development Associations 'para-state organizations' (1990:22). A representative of the Memorial University Extension Service, which has worked with Development Associations from the start, cautioned that this has resulted in them being co-opted by the government, legitimizing the government's approach to rural development, and limiting alternative strategies (Itv., MUN Extension, Acting Director). The Humber Valley Development Association (HVDA), which includes Pasadena and Deer Lake within its region, has been an exception in using agricultural projects to generate operating revenues in excess of the annual administrative grant (Itv., HVDA, Development Co-ordinator). Most associations, though, have largely become an extension of the federal and provincial bureaucracies, administering applications and projects on the local level (Itv., White Bay North Development Association (Hereinafter WBNDA), Development Co-ordinator; Itv., Town of Lewisporte, Mayor, 7 September 1989; Fuchs, 1985:15,18).

Unlike Newfoundland municipalities, Development Associations have benefited from a network of provincial government fieldworkers, in addition to Memorial University Extension Service workers. Consequently, the single paid staff member of Development Associations has enjoyed administrative support not available to municipalities. By working through their Regional Development Association, small incorporated municipalities and unincorporated communities were able to gain access to administrative support, and funds, not available to larger municipalities with their own limited staff.

The economic development role of Development Associations, in contrast to the minimal service provision role assigned to municipalities, no doubt accounts for their superior integration into the federal and provincial bureaucracies. As federal funds are tightened up with fiscal restraint, and the make-work system comes under attack, the Development Associations' position is now under threat (Itv., SBDA, President). Where some communities may have chosen to remain

unincorporated when there were sufficient funds available through Development Associations, now provincial grants available to incorporated municipalities only are stimulating further local government organisation (Itv., Town of St. Anthony, Mayor; Itv., Local Service District of Spillway, Treasurer; Northern Pen, 7 June 1989). As will be seen in Chapter 5, municipalities are beginning to see economic development as an appropriate function for them to take on, and they are finding additional sources of funds from federal and provincial programmes. Bill Pardy in Pasadena maintained that municipalities and Development Associations were starting to operate on 'parallel tracks', and that they would need to be 'melded' for economic development work (Itv., Town of Pasadena, Economic Development Officer, 29 September 1989).

Such a view is seldom shared by members of Development Associations and their supporters. Despite their dependence on government funds and administrative support, they still promote themselves as third-sector, voluntary organizations which oppose integration with formal government institutions and bureaucracy, in favour of self-help (Simms, 1986:31). While in structural terms this image remains largely accurate, in legislative, fiscal, and administrative terms, Development Associations are essentially creatures of the provincial and federal states. As voluntary organisations, moreover, they lack the legitimacy - however limited in the Newfoundland case - of being elected through universal franchise on the local level. Development Associations only represent their membership, even if that membership is open to all residents of a region and is free of charge (Buchans, 'Community Newsletter':ix).

It is not surprising that supporters have complained of a 'legitimation crisis' in dealing with the provincial and federal governments. The Development Associations have been used as a convenient means to deliver programmes, but they are seldom consulted on policy formulation. In a Background Report to the House Commission, David Simms called on the provincial government to 'legitimize Development Associations as the primary agencies responsible for

economic development at the regional level' (Simms, 1986:51-52,63-65). No mention is made of democratic accountability beyond the existing grassroots structure, however. Without it, Development Associations can only serve as agents, not as obstacles, to central policy. Despite the relative weakness of Newfoundland local government, it is unlikely that Regional Development Associations can offer an alternative form of decentralisation of decision-making.

4.6 Participation and Legitimacy on the Local Level in Newfoundland and North Norway

4.6.1 Newfoundland Regional Development Associations

Development Associations do appear to have a fundamental strength, which is consistent with their claim to be grass-roots, voluntary organisations, and it is one Newfoundland municipalities and Norwegian kommunes must also accommodate if they are to claim to represent the interests of their entire electorate. Development Association members and leaders are not the typical participants found in formal political structures, especially in rural Newfoundland, where collective decisions were traditionally left to the priests and ministers and merchants. In a 1982 survey of 34 Development Association boards of directors, 30 percent were fishermen or fish plant workers. A similar survey of Associations on the Great Northern Peninsula showed this occupational group contributing 51 percent of board members. More than half of the total board members were unemployed at the time of the Northern Peninsula survey, and 75 percent had collected unemployment insurance at some time during the previous year. Poor education levels also typified this economically disadvantaged group. More than half (56.6 percent) had neither graduated from high school, nor received any post-secondary training. While there were no women on the boards of the Northern Peninsula Associations, the 1982 survey indicated that 19 percent of all directors positions in the province, and 22 percent of all executive positions, were held by women. It seems safe to say that Development Associations represent the economically weakest groups in rural Newfoundland society (Newfoundland. Royal Commission, 1986:366; Sinclair, 1989:32,42; Fuchs, 1985:8-9).

On closer examination, however, these figures indicate the centrality of make-work projects for Development Associations more than a high level of community participation. The Development Co-ordinators of both LADA and RILDA explained that membership levels fluctuate with the number of make-work or other projects the Association is awarded: only Association members can apply for employment (Itvs.). The predominance of fisheries workers is clearly consistent with this. A 1989 editorial in the Northern Peninsula newspaper complained that WBNDA was

unable to attract enough members to form local committees in the communities that make up the region. Yet, only a year earlier the Association was successful in rallying some five hundred residents to protest for government assistance for inshore fishermen (Northern Pen, 24 May 1989). Similarly, the Humber Valley Development Association, economically one of the most successful in the province, has only one local committee operating out of 11 communities, and such representational gaps are not uncommon (Itv., Development Co-ordinator; Simms, 1986:36). Yet, it is these very community-level committees, which select a representative to the regional committee, that are supposed to be the essence of the much lauded grass-roots participation. In 1989, LADA had a total membership of 180 people, in a region with over 8,000 residents (Itv., Development Co-ordinator), hardly a model of community activity.

A further weakness, identified by members and supporters of the Associations, is caused by the low education levels of the directors. While indicative of equal opportunity to leadership posts, lack of education inhibits communication with educated business and government elites (Sinclair, 1989:43). The internal operation and direction of the Associations can also be - potentially - negatively affected, as uneducated board members tend to defer to their trained staff member. As described by one Association president, '"grass roots" is great, but it can be manipulated to the point that there are no roots left' (Itv.,SBDA). A Development Co-ordinator similarly admitted that the paid staff member can do 'practically what you want; you have to bring the board along with you' (Itv. HVDA).

The lack of assertiveness which typifies these community 'leaders' was evident in the annual meeting of the umbrella Rural Development Council when a new federal-provincial Rural Development Agreement had not been signed, after the old one had already expired. One observer described the 600 community leaders sitting in a room waiting for a telegram to arrive from the government advising them that their financial life-line had been renewed: 'no one could articulate a view on anything, no strategy was devised, no resolutions were passed - there was

no voice' (Itv., Newfoundland and Labrador Federation of Co-operatives, Co-operative Development Specialist).

Several Development Co-ordinators maintained that regardless of their long-term economic success, Development Associations played an invaluable social role in regions of chronically high unemployment. Involvement in the Association, even if through short-term employment projects, instils a sense of self-worth, they claim (Itvs., WBNDC and HVDC). This has been the prime attraction of the Memorial University Extension Service to Development Associations. They represent an opportunity to fulfil the Service's mandate of educational development in non-formal educational formats - to encourage 'peer learning' and demonstrate the linkages between literacy and development (Itv., MUN Extension, Acting Director). Consistent with the paternalism of animateurs indicated in Section 2.5.1., the experience of one municipality which worked with the Extension Service on a project, found them to be too 'used to running the show; not to being a partner' (Itv., Town of Pasadena, Economic Development Officer).

While Development Associations have no doubt contributed to the economic and social well-being of many rural Newfoundlanders, in areas where other organisational forms had yet - or have yet - to develop, the institutional weaknesses detailed above caution against any claim that they should be 'legitimized... as the primary agencies responsible for economic development at the regional level'. They have been the grateful recipients of federal and provincial government programmes, in a manner more akin to the paternalism and patronage of Newfoundland's traditionally centralised power structure, than to an autonomous decision-making form awaiting functions to fulfil its potential.

4.6.2 Newfoundland Municipalities

Are Newfoundland municipalities any more representative or effective? The Town Manager of Port au Choix, Maurice Kelly, who is also a member of the local development association, suggested that there is no real difference between the people who get involved in each. Unlike Northern Peninsula development associations, however, the mayor of Port au Choix is a woman, and Kelly recalls that there has always been a woman on the Town Council (Itv.). Throughout Newfoundland, a 1985 survey indicated that 18 percent of councillors were women, only one percent less than women on development association boards. The percentage on Town Councils is rising, moreover, as the 1985 figure was double the percentage indicated by a 1977 survey, and women's groups are organizing to increase these figures even more (Boswell and Norman, 1987:14; Gushue, 1989a).

In terms of education, only 23 percent of municipal councillors have not completed high school, and 33 percent have completed trade school or have one or more university degrees. Consistent with this, business people or professionals account for twice as many councillors than they do development association board members, but these occupational groups declined as a proportion of all councillors between 1977 and 1985 (from 54 to 42 percent). More primary industry workers (including fishermen) and sales and service employees were involved in municipal politics in 1985 (27 percent, compared to 13 percent in 1977). Boswell and Norman contended that these changes may be a reflection of the increasing acceptance of local government in Newfoundland, with 'an increasing number of "ordinary" people' willing to serve on councils, rather than leaving it to the professionals in the community'. It is clear that fewer economically disadvantaged members of the community are on councils, though, as only 8 percent of councillors surveyed in 1985 were unemployed, at a time when the provincial rate was close to 20 percent. In light of the reasons outlined above contributing to high percentages of unemployed on development association boards, councils could no doubt increase their representation if they started to administer make-work projects (1987:5-7; Newfoundland. Royal Commission, 1986:368).

While development associations highlight their grass roots participation, furthermore, all rural Newfoundland councillors and mayors are volunteers, with small expense payments provided in some instances. The provincial government offers courses for councillors in law and finance, but attendance is low because few can take time off from their full-time employment. This in fact presents a limitation on the time councillors can put into local government affairs. Not unlike the situation in development associations, volunteer councils often must rely on their paid staff to maintain council operations, with a considerable measure of discretion. As will be seen in Chapter 5, however, most new initiatives are orchestrated by elected officials, particularly the mayor. With superior education and employment experience than development association directors, councillors are apt to rely on paid staff more because of time constraints than deference - even where administrative or technical staff are better educated, elected officials are inevitably deferred to (Moores, 1985:20; Norman, 1985:5; Itvs., Town of Pasadena, Mayor and Economic Development Officer, 29 September 1989).

Because of continued administrative and fiscal weakness in most municipalities, as noted above, many communities are still unable to attract enough candidates for available positions on councils. In 1985, prior to the municipal elections in Newfoundland, the provincial government carried out a public relations campaign to encourage more people to run for office and to increase voter turn-out. Such a campaign had been requested by the provincial Federation of Municipalities in view of the high number of council positions filled by provincial appointees in the absence of nominated candidates. An internal government report on the campaign noted that municipal appointments presented an administrative problem for the Department of Municipal Affairs, but also highlighted 'the inescapable fact that each position filled by an appointee in a democracy weakens the system and reflects negatively on the Province, the Minister of Municipal Affairs and the system of local government in general'. By increasing the awareness of residents that their councils were accountable to them as citizens, moreover, the report

suggested that they would be less likely to blame the provincial government for all the problems experienced in municipalities (Norman, 1985:1-4). With autonomy comes responsibility, but the fact that the provincial level would see local government as valuable in itself is an indication of the increasing legitimacy it holds in contemporary Newfoundland.

The receptivity of the Newfoundland population to the campaign, and hence to involvement in local government, could be seen in an increase of nearly 50 percent in the number of candidates running for municipal office in 1985 compared to 1981. In 1985, 77 percent of councillors surveyed were elected to office with opposition, 18 percent were acclaimed and only 3 percent were appointed. In 1981, 19 percent were appointed and 60 percent elected with opposition (ibid.:9-13; Boswell and Norman, 1987:8-9).

Over the same period, voter turn-out remained relatively constant at about 50 percent, but Norman contended that this is not low for municipal elections in Canada, and highlighted that variation between municipalities was great. Hawkes Bay, on the Northern Peninsula, had a participation rate of 96 percent in 1985, compared to a provincial low elsewhere of 13 percent. Variation from one election to another within the same municipality was also high, indicating that local issues had more influence on local elections than provincial campaigns. With an increased number of candidates in 1985, finally, more municipalities had to hold elections - 112, compared to 79 in 1981. Consequently, the same participation rate indicates that an increased absolute number of voters cast their ballot in 1985 (Norman, 1985:11).

Increased participation does not necessarily equate with increased demands for autonomy, however. The percentage of councillors who see local government as an agency of the province remains high. In 1985, 71 percent felt the main function of councils was to help the province provide services, only 5 percent less than in 1977. More feel that there is too much interference by the provincial government

in municipal affairs, though - 26 percent in 1985 compared to 15 percent 8 years earlier. This means, of course, that 74 percent in 1985 were satisfied with the level of provincial involvement in municipal affairs. This is not perceived as being inconsistent with local government's role in fostering democracy in the province, as 84-85 percent of councillors agreed throughout the period measured by both surveys (Boswell and Norman, 1987:16-19).

It is necessary to go beyond opinion surveys to gauge the effectiveness of Newfoundland municipal government in representing local interests. Unlike much of the work sponsored by ISER in recent years, which has taken an anthropological approach in supporting the contribution of Development Associations in rural Newfoundland, Wadel recognized the need for local government bodies to facilitate self-determination in rural Newfoundland. As a Norwegian, familiar with a system of strong local government, he saw that this could be achieved only if 'outporters' knew 'their rights and obligations as citizens' (1969:143-53). Johnston also recognized that Development Associations were 'somewhat weak social groups', lacking the taxing powers of civil authorities, but he could not see the latter playing an economic development role (1980:111-12). In complimenting Northern Peninsula Associations on their community development activities, a former provincial fisheries minister compared them to the Shetland Islands Regional Council. Unlike the Associations, he added, the Council has 'real authority' (Rideout, 1988:7).

In Buchans, as will be seen in Chapter 5, the Town Council has been instrumental in initiating efforts to generate economic activities since the closure of the mine in 1984. Because 'the Company' had always provided municipal services, an elected council was not established until 1976 on the recommendation of a provincial task force on the expected mine closure. In 1985, the voluntary Buchans Youth Action Committee argued in one of many presentations in support of the town's survival, that 'If incorporation had been instigated sooner ...it's possible that Buchans' people would have been encouraged to fight for their independence earlier. We

might then have had more control over our future' (4) (RILDA, 1985:8-9; Buchans Community Futures Committee, 1987:3).

For all its juridical, fiscal and administrative weaknesses, then, Newfoundland local government is perceived - increasingly - as a legitimate and - potentially - effective representative of local interests. It does not include the most disadvantaged members of the community in leadership positions, as well as Development Associations do. But, as outlined above, the latter do so primarily as a make-work vehicle for an extremely limited percentage of the region's residents, in a manner which contributes more to the perpetuation of their economic dependence and insecurity. Local government in Newfoundland is by no means autonomous from a local elite, but the percentage of managers and professionals is decreasing. Superior educational and occupational experience of councillors also serves to enhance the likely effectiveness of municipal government in acting as an obstacle, as well as agent to the provincial government.

The umbrella Newfoundland and Labrador Federation of Municipalities (NLFM), formed in 1951 to provide a common forum to represent municipalities, is one of the most powerful lobbyists on the provincial level. Its 'Annual Brief To Government' is presented to a full meeting of Cabinet, and the Premier always addresses the Federation's annual convention (Crosbie, 1956:341; Itv., Peckford). The NLRDC, by contrast, has been criticised by its member Development Associations for its lack of impact on the provincial level (Simms, 1986:39-40). While party politics does not operate formally in municipal elections, municipal councillors and mayors are viewed as politicians, and they make use of their affiliations. When the Liberal Government came to power, many councils known for their sympathies expected -and received - the additional consideration

4 The Canadian Association of Single Industry Towns, which includes Buchans as a member, has developed a support programme for municipalities with the Canadian Federation Municipalities. While calling it a 'self-help programme' for small towns and cities, it is explicitly designed to work with elected councils, which insures that road blocks faced by voluntary groups are by-passed (Itv., President; Sunday Telegram, 8 October 1989).

afforded to PC supporters in grant allocations previously (Itv., Town of Pasadena, Economic Development Officer, 29 September 1989; Itv., Town of St. Anthony, Mayor; Northern Pen, 26 April 1989; Bock, 1989; Buchans, 'Community Newsletter':vii). Development Associations have their party allegiances, but they lack the legitimacy of formal authority and the effectiveness of confident leadership to intervene on their region's behalf on the provincial level. The influence of these factors will be clearly seen in considering the economic development activities of both forms of organisation in Chapter 5.

4.6.3 Norwegian Kommunes

When kommunes were established in 1837, traditional community leaders moved into the new organisational form. Priests and vicars dominated early councils. By 1856, though, farmers, especially those with large farms, had recognized the importance of kommune government as a power base for rural interests. By 1856, 65 percent of mayors came from this occupational group. Larsen has suggested that the time and travel required as political leader of a kommune during this period demanded participants who could afford these costs, especially as salary and expenses were non-existent. Today teachers outnumber farmers as the most numerous occupational group, and an increasing number of full-time salaried mayoral positions has reduced the importance of personal disposable income. While the occurrence of paid positions increases with the size of kommunes throughout Norway, this relationship does not hold for North Norwegian kommunes. Within Troms Fylke, 91 percent of all mayors are full-time, compared to 46 percent for Norway as a whole. As will be seen, this high proportion of full-time mayors in the north can be explained by the acceptance of economic development activity as an appropriate role for peripheral kommunes (Larsen, 1989:5-8).

Women are relatively well-represented within kommune councils (24 percent in 1983), but much less so in the position of mayor (4 percent) (ibid.:8). Getting enough candidates is seldom a problem in Norwegian kommunes, despite council

sizes ranging from 13 to 85 members (Itv., Vega Kommune, Mayor; Itv. Salangen Kommune, Mayor; Itv. Lyngen Kommune, Mayor). This is no doubt due to the considerable responsibilities of kommunes on the local level, and also because of the organizational role played by political parties. National parties have not traditionally dominated local politics, with territorial and non-partisan lists used for proportional representation, but this practice has been declining. In 1945, non-partisan mayors were second in number only to Labour party mayors. In the 1987 local elections, though, only 3 percent of votes went to non-partisan or local lists, compared to 36 and 23 percent for the Labour and Conservative parties, respectively. The practice of proportional representation, moreover, enables numerous political parties from across the ideological spectrum to gain representation on kommune councils. In Lyngen, while Labour holds 14 of 29 council seats, the other 15 are held by 6 different parties. All social groups in the community are thus more likely to feel a sense of political efficacy in local politics, reflected in voter participation rates averaging above 70 percent (Itv., Larsen, 29 May 1990; Bjorklund, 1988:211-14; Itv., Lyngen Kommune, Mayor).

Fylke elections are held at the same time as those for kommunes, but voter turn-out is consistently lower. As direct elections were only instituted in 1975, and since fylkes have less direct impact on the lives of voters, and their constituency is still conceived largely as an administrative division rather than one with an historic or territorial identity, lower voter interest is not surprising. Fewer local or non-partisan lists are used, although party lists still tend to balance candidates from sub-regions within the fylke (Larsen, 1983:26-27; Itv., Larsen, 29 May 1990; Itv., Salangen Kommune, Opposition Leader and Member of Troms Fylke Council).

The high proportion of full-time salaried mayors in North Norway has changed their traditional status as 'first among equals'. Increasingly, mayors are becoming local government professionals, developing experience and expertise as they remain in kommune politics over many years. The mayor is elected by the council for a term of two years, and chairs the executive council, which consists of

approximately one-quarter of the council and is elected on a proportional basis. Normally, re-election of the mayor for the final two years of the council's term is a matter of course (Larsen, 1985a:6). Most have been members of council for at least two terms prior to becoming mayor, with one term on the executive council. A 1985 survey for kommunes throughout Norway indicated that over 40 percent of mayors had been members of council for more that twelve years. The significance of this experience is enhanced by the fact that the turn-over rate for the majority of councillors is extremely high. In recent elections, 60 percent of in-coming councillors had not held a seat in the previous council (Larsen, 1989:3,8; Itv., Salangen Kommune, Mayor; Eckstein, 1966:138-39).

Not only does their emergence as a political elite enhance the mayor's influence relative to other members of council, but also to paid kommune staff. While 30 percent of mayors surveyed in 1985 had college or university education - twice as many as indicated by a survey 10 years earlier - they did not consider formal education to be crucial to their duties. Thus, despite the fact that more senior staff have received formal education than mayors, the latter do not feel their control of the kommune to be threatened. Indeed, most welcome administrative expansion to complement their work. Strong administration and strong political leadership is not seen as a zero-sum game in contemporary kommunes (Larsen, 1989: 6,10,14).

As will be demonstrated in terms of the role of mayors in economic development, the value of experience has to do largely with the importance of political networks within and outside the kommune. This also explains why a strong administration is not seen as a threat. Mayors work to generate and acquire resources and functions for the kommune and leave implementation to their staff. In several Northern Norway kommunes, mayors have developed reputations as political entrepreneurs. In Salangen, Per Tonder combined a range of formal and informal positions to help reverse the kommune's declining population in the 1960s and 1970s. He was the local clergyman, chairman of the regional development council (composed of

neighbouring kommunes) and chairman of the fylke school board and bus company. As the son of a national politician, moreover, he had contacts within the central government, and used his Labour Party membership to full advantage when dealing with the fylke and national levels (Itv., Reiersen).

In Vega, Osvall Floa, a local farmer and descendant of several previous mayors, has developed similar contacts on the regional, fylke and national levels. Vega has a tradition of producing successful national politicians, furthermore, who have been used to open doors on their home kommune's behalf (Itv., Vega Kommune, Mayor). While parties do not have organizations below the kommune level, the community of Sommaroy within Tromso Kommune has been able to use similar contacts within the national government (Itv. Sommaroy Community Committee, Chairman; Marciniak, 1988:27).

The effectiveness of such strategies is naturally enhanced if the national government is of the same party stripe as the kommune administration, but the frequency of coalition and minority governments within the Storting makes this less vital than in the Newfoundland context. The traditional strength of the Labour Party in Northern Norway and on the national level has aided peripheral kommunes, particularly as most national Labour Party representatives started within local government. The increasing influence of the Conservatives reduces this, as more of their members come from the legal and business professions (Aarsaether, 1978a:8; Olsen, 1983:51-53; Fagerberg, et al., 1990:93).

Fylkes also see party members move from one level to the next, aiding political networks. The current Troms mayor is a former national cabinet minister, and her predecessor as mayor went on to become one (Itv., Troms Fylke, Mayor). Despite national efforts to strengthen the fylkes over the years, kommunes seldom go to them for increased resources or functions, but go to the national representative on the flyke level - the Fylkesmann - or deal directly with Oslo (Itv., Larsen, 29 May 1990). To combat the increasing influence of the sectoral organisations within the

post-war corporatist system, though, kommunes and fylkes have joined forces in a national Association of Local Authorities (Kummunenes Sentralforbund) - a sectoral organisation representing territorial bodies (5) (Itv., Salangen Kommune, Mayor).

As the dominance of the corporatist system has increasingly come under attack, a new initiative has been implemented to enhance the ability of local government to integrate sectoral policies on the local level. Like the bloc grant system, many question if this is an extension of local autonomy or an abrogation of national responsibility. Once again, the lessons of Chapter 3 must be heeded in acknowledging the decline of peripheral communities under the existing system. Unlike Newfoundland, at least the local state is being given a chance in Norway. After discussing the extent of the Norwegian innovations, efforts to decentralise decision-making in Newfoundland can be more clearly evaluated.

4.7 Increasing Local Autonomy in Norway and Newfoundland?

4.7.1 The Norwegian Free Kommune Experiment

Despite its substantial level of juridical and fiscal autonomy, not to mention local participation and political effectiveness, the local state in Norway has not been without its share of direct national intervention. Indeed, the term 'local state' in Norwegian (lokal stat), literally translated, refers to appointed bodies of the national state at fylke level (McKenzie, 1981:4-5). It is ironic that in a country where the local state is perhaps stronger than anywhere, it is almost impossible for even local government scholars to consider anything but the national government as 'the state' (Itv., Baldersheim).

5 The Local Government Organisation represents kommunes and fylkes in dealing with the national government, develops educational programmes for local government politicians and staff, and negotiates for local government as employer in the centralised Norwegian system of pay bargaining.

This no doubt has to do with the initial form of sub-national delegation of decision-making being the Fylkesmann. Analogous to the French prefect, the Fylkesmann is the national government's representative on the local level. There is one such national representative in each fylke, usually a former national politician appointed until they retire when they are between sixty-seven and seventy years of age. In Troms and Nordland they each have a staff of about one hundred, who must approve kommune and fylke budgets and by-laws. Only national funds distributed to both levels are subject to approval, and then only to ensure proper accounting and maintenance of standards, not actual allocations. Similarly, local by-laws and council decisions are studied to ensure compliance with national laws and regulations. An individual who feels unfairly treated by kommune or fylke council decisions can appeal to the Fylkesmann. In areas concerning economic development, the Fylkesmann must approve kommune loans and loan guarantees, but not share purchases, and the Fylkesmann sits on the Fylke Council's Sub-Committee on Economic Development when Regional Development Fund allocations are being approved (Itv., Nordland Fylkesmann; Itv. Troms National Administration, Economic Consultant).

In addition to the watchful eye of the Fylkesmann, kommunes must deal with the direct activities of representatives of national departments and agencies on the local level. In Northern Norway, the two most active are the fisheries and agricultural advisers. These can be seen as yet another example of sectoral agencies intervening in the territorial jurisdiction of the kommune. As national civil servants, these sectoral specialists are more committed to ensuring the maintenance and enforcement of national standards and regulations that they are to adapting them to local variation in conditions or values. As will be seen, this has been less the case for fisheries advisers, a position created in 1971, who have often worked closely with kommune politicians and staff. As long as the legislative and financial restraints within which they operated were determined on the national level, dominated by competing sectoral agencies with little territorial representation, however, there was little room for local priorities to take

precedence (Larsen, 1983:29-30; Marciniak, 1988:49-50; Aarsaether, 1989:306; Olsen, 1983:89-90).

As discussed in Section 4.4.2., national efforts to restrain expenditure, largely the result of the never-ending demands of sectoral organisations, led to the introduction of bloc grants in funding kommune administration and implementation of national programmes. While reducing the ability of kommunes to lobby for additional funds once allocations have been made, the new system prompted increased administrative competence on the local level and allowed for some measure of kommune autonomy in allocating resources. The continued influence of the Fylkesmann in enforcing national standards and regulations, combined with agricultural and fisheries officers operating on the kommune level with little or no co-ordination by the kommune council, limited kommune efforts to integrate and co-ordinate scarce resources.

Following the lead of Denmark and Sweden, then, Norway introduced an experiment in increasing kommune autonomy in 1986, the year the first bloc grants came into effect. Both kommunes and fylkes were eligible to apply for exemption from national regulations and legislation for a limited period. From January 1987, twenty kommunes and four fylkes were designated under special legislation as free kommunes. (6) The scheme was introduced by a conservative government, passed unanimously in the Storting, and was subsequently implemented by a social democratic government (Itv., Vega Kommune, Economic Development Officer, 5 June 1990; Baldersheim and Fimreite, 1989:2-4).

As Baldersheim and Fimreite have outlined, government departments were less unanimous in their support of the Free Kommune Experiment. Most applications for exemptions concerned efforts to increase savings, improve kommune productivity or provide better services to the public. The ministries most effected

6 As a level of local government, fylkes are referred to in Norwegian as 'Fylkeskommunes', although in general usage this is abbreviated to fylkes. Fylkes is used here without the suffix to avoid confusion with kommunes.

by these were Local Government, Social Welfare, Agriculture and Education. A special secretariat was established within the Local Government Department to co-ordinate the process of negotiations between kommunes, departments and national employee organisations. Least resistance to increasing local autonomy was encountered with those departments which have most frequent contact with kommunes and fylkes - Local Government and Education. The former, which also includes labour market programmes (until a Departmental re-organisation in 1989), housing and regional development, is the largest employer in the national government and accounts for about 60 percent of public spending. The Minister of Local Government, even after the 1989 re-organisation, is one of the most senior members of cabinet, ranking behind the Prime Minister, and Ministers of Foreign Affairs and Finance. It is not surprising, then, that while many applications for exemptions from legislation and regulations were opposed, the programme received sufficient co-ordination and support for 60 percent of all applications to be approved. All those involved in the experiments will submit evaluations at the end of the project in 1992, in addition to one by an independent study team, after which the national government will decide which measures should be instituted for local government as a whole (Baldersheim and Fimreite, 1989:2-7,16-17; Itv., Baldersheim).

For peripheral kommunes and fylkes the experiment was seen as an opportunity to enhance their freedom to pursue economic development activities (Norwegian Association of Local Authorities, 1988:3). Both Finnmark and Nordland are involved in the project, and one kommune in the former and four in the latter have been declared free kommunes. The organisational changes that have been adopted by Nordland Fylke and its southern island kommune, Vega, to promote economic development under the programme will be detailed in Chapter 5. An economic development officer was hired in Vega to implement the project on the local level, and he has described the difficulty for kommunes to determine exactly what laws needed to be changed to provide the freedom they required. A process of local negotiations between the kommune and the local fisheries and agricultural

advisers also went on prior to submitting their application for exemptions (Itv., Vega Kommune, Economic Development Officer, 5 June 1990).
Baldersheim and Fimreite contend that the experiment provided less autonomy than it appears, because the burden of developing proposals was left entirely to individual kommunes, while the central government drew the boundaries for acceptable exemptions (1989:6-7). Permanent innovation is an accepted characteristic of local government in Norway, and while the free kommune experiment is on-going, three fylkes are experimenting with a stronger fylkesmann. A new Local Government Act has been introduced, however, removing the power of the Fylkesmann to approve kommune loans and guarantees, and providing for exemptions from national laws and regulations - this, before the experiment has been concluded. Mayor Osvall Floa in Vega contends that 'the Free Kommune experiment is only an hors d'oeuvre for what is to come' (Itv., Vega Kommune, Mayor; Itv., Troms National Administration, Economic Consultant; Itv., Nordland Fylke, Free Kommune Project Leader; Itv., Baldersheim).

Larsen argued in 1983 that the extent to which the people of a community turned to the kommune to articulate their views depended on the relative importance of the kommune for the welfare of the inhabitants. This, in turn, was primarily determined by the legal and financial constraints on the kommune - 'especially how the relationship or partnership between central and local levels of government is organized' (1983:4). Kommunes have endured re-organization, sectoral intervention and national controls during the post-war period, only to see the vitality of territorial representation on the kommune level enhanced. A virtuous circle of local participation and identification has led to stronger organisation, which in turn encourages greater involvement in local affairs. Decentralisation is real in Norway, and a strong local state is the result.

4.7.2 Decentralizing Decision-Making in Newfoundland: Deconcentration, The Third Sector and Quangos

4.7.2.1 Regional Development Boards Proposed by the House Commission

The House Royal Commission called for the decentralisation of economic decision-making in Newfoundland to enable citizens on the sub-provincial level to overcome their alienation from the existing centres of power on the provincial and federal levels. The Commission acknowledged the growth of local government in the province, but viewed its lack of responsibilities and resources as a limitation in any effort to foster local development (Newfoundland. Royal Commission, 1986:369-70;442).

While it saw Regional Development Associations suffering from many of the same weaknesses, the Commission Report nevertheless heeded the call by David Simms in his background report to legitimize the Newfoundland rural development movement. In favouring the voluntary sector over the local state, the Commission failed to account for the political realities of contemporary Newfoundland and suffered from an under-theorized conception of decentralization. Its subsequent recommendations have yet to be implemented, but an analysis of what was proposed and what is already in existence that is similar, cautions against organizational forms which have more in common with deconcentration than local autonomy.

The Commission's Research Director, Chris Palmer, has acknowledged that as long as the Development Associations reflected only a segment of the rural population, they would never assume legitimate power (Personal Correspondence, 28 December 1988). The answer was to establish a system of Regional Development Boards across the province, led by the Development Associations, but including membership from other organizations. While the exact structure of such boards was left to be worked out by the provincial Department of Rural, Agricultural and Northern Development (RAND) and representatives of the rural development movement, a possible organization was suggested. Each Board could consist of two

representatives of the Regional Development Associations, and one each from the municipalities in the region, the regional community college, the provincial and federal governments, and one representative of industry. The Rural Development Council would assume a stronger mandate, co-ordinating the activities of the Boards and the Development Associations, while the latter would receive increased operating grants. A new federal-provincial funding arrangement would institute bloc grants to be administered by the Boards, and a 'Rural and Regional Development Act' would outline the responsibilities and mandates of the various bodies (Newfoundland. Royal Commission, 1986:371-77). The 'legitimation crisis' would be satisfactorily brought to an end, with the regional development movement embraced by the provincial state, institutionalized and provided with the funding needed to get the job done.

While some initial hesitance was expressed by Development Associations, as they feared that Development Boards would undermine existing Associations, they have since welcomed the Economic Recovery Commission's stated intentions to raise their profile in any decentralisation plans (MUN Extension, 1987:79,152; Newfoundland Information Service, Executive Council:1 November 1989, Development:26 January 1990; Pothier, 1990). Cut-backs in make work and other project funding which threaten the survival of the Associations have no doubt diminished their opposition to any proposal which offers to provide financial and legislative support, even if they are subsumed in larger provincial quangos. This is especially the case as one innovative attempt by Development Associations to work together to diminish their dependence on short-term funding - the Great Northern Peninsula Development Corporation - is encountering substantial problems. Despite provincial and federal assistance, the inherent weaknesses of voluntary organisations operating as territorial bodies cannot be wished away.

4.7.2.2 The Great Northern Peninsula Development Corporation

The Great Northern Peninsula Development Corporation (GNPDC) was formed by the six Regional Development Associations on the Peninsula in February 1987. The possibility for a Development Corporation was initially proposed by a federal task force on the fishery, but it was the House Commission support for regional planning bodies which inspired active interest on the Northern Peninsula. Indeed, there was a direct link between the Commission and the creation of the GNPDC. Dave Simms, the Senior Researcher for the Royal Commission, was hired by the six Associations - with provincial government funding - to develop a fisheries development strategy in 1986. Simms had been working with the provincial Department of RAND after the completion of the Commission Report, and his fisheries report called for the creation of a Community Development Corporation (CDC) controlled by the Development Associations (GNPDC, n.d.:2-3; Itv., GNPDC, Chairman).

The form such an organisation would take was largely inspired by the work of Father Greg MacLeod in Cape Breton, Nova Scotia (outlined in Section 2.5.1.). In October 1986, Simms, two members of RAND, two MUN Extension workers, and representatives of five of the six Development Associations, visited MacLeod's New Dawn Development Corporation. MacLeod and Stewart Perry, the American CDC promoter, were then hired as consultants to help form a structure suitable for the Northern Peninsula, and MacLeod and Simms developed the final organisational plans approved by the member Associations in early 1987. Later that year, MacLeod led the Board of the newly formed Corporation, and Simms, on a study visit to Mondragon; in 1988 he was the guest speaker at the Corporation's first annual meeting; and in 1989, Simms was appointed a member of MacLeod's Centre for Community Economic Development in Cape Breton (GNPDC, Newsletter, December 1987, May 1988, January 1989; Sinclair, 1989:27-30).

The GNPDC is governed by a Board consisting of one representative chosen by each of the six Associations, and an additional five External Board Members may

be appointed to gain access to particular forms of expertise. In 1989, only two of these five positions had been filled, one by a former resident who has extensive experience in fisheries management, the other by a local computer expert. The Board also appoints paid staff to implement their decisions, and Dave Simms was hired from the outset as Executive Director. RAND, his former employer, provided an initial grant of $60,000 over two years to pay his salary and other Corporation expenses, and this was supplemented by $613,000 over three years from the federal Department of Employment and Immigration, beginning in November 1987. Numerous additional project grants have subsequently been allocated by both levels of government for GNPDC's economic development activities. The Corporation describes itself as the business arm of the Development Associations, leaving them to continue their role in providing services and working with volunteers, while it operates on a fee for service basis in an effort to become economically self-sustaining (GNPDC, Newsletter, December 1987; Sinclair, 1989:30,32; GNPDC, n.d.:4-5).

With such substantial government funding, the GNPDC has been able to overcome one of the chronic problems faced by Development Associations, and municipalities: the lack of administrative and technical staff. In 1988, the GNPDC employed a university business graduate as Business Development Officer, an Aquaculture Specialist to work with local fish farmers, and two secretaries, in addition to Simms (GNPDC, Newsletter, May 1988). The employment of trained staff within an organisation controlled by poorly educated volunteers, however, has exacerbated the problems encountered by individual Development Associations. Board members representing the Associations lack the confidence to question the activities of the staff, and so resentment grows as they feel they are losing control of the Corporation. The fact that Simms and the Business Development Officer are not from the area, has heightened the feeling of alienation as the traditional dependence on outsiders is re-created. The appointment of the two External Board Members, who are educated and from the region, was hoped to diminish the problem, but because they are not elected like

the Association representatives they are less willing to interfere with the paid staff (Itv., WBNDA; Itv., SBDA, President).

The extent of the staff-board member conflict had reached a point by 1989 that the future of the GNPDC was in question. In part, this was due to specific economic development initiatives, that will be dealt with in Chapter 5. But problems of leadership and communications were largely at the root of these organisational strains. The involvement of Father MacLeod and MUN Extension in the formation of the Corporation provides an indication of the paternalistic approach to community development argued to be symptomatic of much third-sector activity in Chapter 2. Dave Simms has been accused by Development Association members of adopting a 'saviour approach', in assuming that he knows what is best for the Associations and the region (Itv., SBDA, President). An initial structural plan for the Corporation drawn up by Simms and MacLeod, later revised after discussions with the Associations, had not even provided that board members be representatives of the Development Associations (Sinclair, 1989:30). In light of the weaknesses in levels of participation in Development Associations identified in Section 4.6.1., it is difficult to consider the existing structure as very democratic.

The Development Corporation Chairman, a member of the Central Development Association, supports Simms, arguing that the problem is primarily one of communications. Because so many Development Association members are involved in the fishery, most Associations do not hold meetings during the summer. As a result, their membership only find out about decisions taken by the board several months later. He maintains that a report on board meetings by Simms would diffuse Association discontent (Itv.). In 1989, however, the White Bay Central Association elected new board members on an explicit mandate of opposing the Corporation (Itv., WBNDA). As noted by Sinclair and Felt, economic success by the Corporation is perceived as a threat by the Associations. If the GNPDC became truly self-sustaining, the Associations - relegated to a service role in the Corporation's own literature - could be seen as redundant by the provincial and

federal governments, and their annual and project grants withdrawn. The opposite result is more likely. If self-sufficiency is not attained by the GNPDC and government funding to the Corporation diminishes, little public support is likely from an alienated membership (Sinclair and Felt, 1990:).

Felt and Sinclair have argued, nevertheless, that the GNPDC is the 'centre-piece in a permanent "system" geared to locally owned and directed regional development and job creation'. This system consists of subsidiaries or joint ventures formed by the Corporation, the six member Development Associations, as well as the various municipal bodies on the Northern Peninsula (Felt and Sinclair, 1989:7).

We have seen the close links between Development Associations and small municipalities and unincorporated communities. It is difficult to view the GNPDC as the centre-piece of a system which extends to municipalities, however, when its own member Associations feel alienated. This is especially the case when the larger municipalities are considered. The three largest municipalities on the Northern Peninsula all report that they have had no contact with the GNPDC (Itv., Town of St. Anthony, Mayor; Itv., Town of Port au Choix, Mayor; Itv., Town of Rocky Harbour, Councillor). The experience of federally-appointed Community Futures Committees, which have tried to combine Development Associations and municipalities on the Northern Peninsula, and elsewhere in Newfoundland, may serve to indicate why the Board and staff of the GNPDC have been less than eager to work with municipal authorities, and less than responsive to their member Associations.

4.7.2.3 Community Futures Committees

The federal government Department of Employment and Immigration is responsible for national labour market policy. As in Norway since the departmental re-organisation of 1989, programmes concerned with unemployment

and training are in separate departments from regional and industrial development programmes. Employment and Immigration has played an active role in facilitating the dependence and short-term employment that typify make work programmes in rural Newfoundland. With federal economic restraint, it is now responsible for tightening up the Unemployment Insurance Programme and introducing training requirements that make project applications increasingly difficult for Development Associations.

Employment and Immigration has also attempted to implement innovative job creation programmes, independent of the mainstream development departments (no doubt because of the lack of success of the latter). In 1980, the Department introduced the Local Economic Development Assistance (LEDA) programme to provide funds to rural community organisations and municipalities to develop local business. Local economic feasibility studies were funded, grants made available to sponsor enterprises and administrative funding was provided for the formation of LEDA corporations to implement the programme on the local level, with representation from community groups and businesses. Local representatives were appointed to the corporation board by the Department, after consulting interested individuals and organisations (Clarke, 1981:13-14).

In 1986, the Community Futures Programme was introduced as part of a wide-ranging Departmental re-organization of labour market policies. Short-term cyclical measures were to be replaced by a flexible programme of skill development and job experience more attuned to the needs of local labour markets (Canada. House of Commons, 1988:2). Community Futures provides for the appointment of committees on a regional level, to implement a range of programme options designed to generate economic activity and labour adjustment. By March 1989, thirteen regions had been designated in Newfoundland, including Gander Region (Lewisporte is one of 101 communities within its boundaries), Greater Humber (including Corner Brook, Pasadena and Deer Lake) and Buchans Region (the smallest region in the province, taking in the same three communities

as the Red Indian Lake Development Association). The latest Community Futures Committee to be established at that time was on the Northern Peninsula, covering essentially the same region as the GNPDC (except that the Bonne Bay Development Association, spanning Gros Morne National Park, was half in the Northern Peninsula Committee's region and half in the Greater Humber Region - such overlapping Community Futures and Development Association boundaries are not uncommon) (Department of Employment and Immigration, Internal Documents and Maps) (See Figure 2 for area boundaries).

Like the LEDA corporation boards, members of the Community Futures Committees are appointed by the Department to represent the various organisations in the region, including municipalities. Once established, an initial budget of up to $400,000 over six years was provided to the committees to undertake a feasibility study of the region's economic problems and potential (or commission a private consultant to do one), identify the programme options required to meet the needs of the region, and submit a development plan requesting the additional funds required to implement the options. Funding could be allocated for the Committee to purchase occupational training for residents, give technical and financial assistance for unemployment insurance recipients to start their own business, or to provide relocation assistance for unemployed workers to look for jobs outside the region. A special community initiatives fund was also available for innovative proposals that did not fit these options - Innovations Funding - with approval at the federal minister's discretion. Finally, a continuation of the LEDA corporations, called Business Development Centres (BDCs), could be established with their own administrative budget of $635,000 over six years, and the possibility of a venture capital fund of up to 1.55 million dollars over five years, for promoting business development. While having their own appointed advisory board, usually with financial and business experience, the BDC reports to the Community Futures Committee (Felt and Sinclair, 1988:30-39).

Despite a programme goal of flexibility and responsiveness, many Committee members find that the programme options are confusing and restrictive. The relocation option is rejected by most as contradicting efforts to foster regional development, by encouraging out-migration. Others, both on and off the Committees, complain that they only serve to duplicate existing structures and lead to organisational fragmentation and another layer of bureaucracy (Itv., Town of Port au Choix, Town Manager and Community Futures Committee member; GNPDC, Chairman; Itv., HVDA; Dykeman, 1988:9).

Indeed, the operation of the programme in Newfoundland was further complicated in 1987, when the provincial government withdrew it's support - a 10 percent contribution. Provincial politicians resented the lack of credit given to the province for the funding it provided and the lack of consultation on the committee structure and the choice of members. The province also opposed federal support to the local level - including municipalities - which come under provincial jurisdiction. Not willing to stop funds from coming into the province that it was not prepared or able to substitute, provincial government opposition was limited to non-participation (Itv., Government of Newfoundland, Intergovernmental Affairs Secretariat).

While the federal Department continued to expand the programme after the provincial withdrawal, the susceptibility of Community Futures Committees to changing government priorities had been demonstrated (Itv., Canadian Association of Single Industry Towns, President). In August 1990, when the federal government responded to pressure to provide aid to workers at the height of the fisheries crisis, funds promised to Community Futures Committees were diverted. Ironically, pressure for short-term relief in resource dependent regions undercut the federal initiative to generate long-term development in those same regions. This was especially painful for the Northern Peninsula Committee, which only three months earlier had been awarded 3.2 million dollars over five years for

locally controlled training programmes. Over half the money allocated for the first year was diverted to short term fisheries relief (Westcott, 1990).

For the Northern Peninsula and other Community Futures Committees, however, there were other, structural problems, which impeded their ability to promote regional development. A brief examination of these can point to a final consideration for any effort to decentralize decision-making and promote local control of the economy - the need for spatial structures to complement social relations and organisational forms.

It is significant that when one of the first Regional Development Associations in Newfoundland was formed on the Northern Peninsula, it covered essentially the same area as the GNPDC and the Community Futures Committee do now. Within two years, however, that Association was dissolved, and the present six Associations were established individually. Sinclair has suggested that there is a sense of regional identity for the Peninsula as a whole, nonetheless, 'born of isolation and common problems', and that this contributed to the formation of the GNPDC (1989:23-24).

As has been seen, Newfoundlanders in general also share a common sense of identity - particularly in relation to 'the mainland' - but when it comes to the distribution of power, resources and employment, there are many divisions within the province. The significance of space for economic development will be elaborated in detail in Chapter 5, in an effort to determine which organisational forms - and what area of jurisdiction - are most appropriate for which economic strategies. The experience of the Northern Peninsula Community Futures Committee, and its relations with the GNPDC, Development Associations, and the municipalities on the Peninsula, demonstrate the failure of existing forms to implement strategies justified as benefiting the whole region.

The Northern Peninsula Committee originated with a request from the Mayor of Hawkes Bay to the Department of Employment and Immigration for Community Futures designation for the area surrounding the Daniel's Harbour mine. When closure of the mine was threatened in 1986, the Central Development Association had called a meeting of affected communities to pressure the provincial government to intervene. A committee was formed, chaired by Selby Sooley, a mine employee and president of the Association (now chairman of the GNPDC), but as more incorporated municipalities got involved, he stepped down 'because it didn't feel right' (for a volunteer to lead a committee including elected local state representatives?). When the Hawkes Bay mayor took over (Hawkes Bay is outside the Central Association area), it became the Committee of Concerned Municipalities, and Community Futures was seen as a means to gain access to resources to retrain laid off miners and invest in mine buildings for alternative uses. Employment and Immigration officials were supportive of the group, but decided that the entire Peninsula should be represented on the committee, and the economic problems of the whole region taken into account (Itv., GNPDC, Chairman).

The Community Futures Committee, as selected by the Department, includes Simms from the GNPDC, representatives of five of the six Associations and municipal representatives from throughout the Peninsula. It is Chaired by a fish-plant owner and businessman, George Payne, from Parson's Pond, just south of Daniel's Harbour. In 1989, the Committee was waiting on a private consultant's report to be completed before applying for further programme options. Even before programme funds were available, though, the member organisations were competing for control of the committee. The GNPDC saw the BDC option as a possible means to merge the two organisations, and provide itself with another six years of funding. The GNPDC Chairman, Selby Sooley, contended that municipal representatives on the Community Futures Committee were opposing this possibility. As much opposition could be seen from its own members, however. One Association representative maintained that the GNPDC was only interested in the

funding, that it was not assisting its member Associations enough, and that the Peninsula needed two BDCs in any case. Sooley acknowledged that the GNPDC could control the Community Futures Committee if its members co-operated, but that they were unwilling (Itv., GNPDC, Chairman; Itv., WBNDC, Economic Development Co-ordinator).

As acknowledged by Sinclair, merging the two umbrella organisations by establishing the GNPDC as the Business Development Centre would require the dissolution of the GNPDC board, controlled by the Associations, as the BDC must report to the Community Futures board, selected by the federal Department (1989:35,38-39). If they were not merged, however, the GNPDC's 'system' - controlled by a Board with little accountability to the region's population, would be duplicated by another organization appointed by the national government, but including locally elected municipal representatives. Because it covers a region stretching some 400 kilometres, representatives of all the organisations feel that they cannot act as a region when initiatives in one area will not benefit their own. The location of the Community Futures office alone led to a dispute which threatened the Committee's existence. The mayor of St. Anthony dropped out of the Committee because there was 'too much "me, me..."; everybody was there for what they can get, rather than for the area'. His view was that 'each town should go it alone' to avoid conflicts. As mayor of the main regional centre for the Peninsula and southern Labrador, however, this is a position smaller communities cannot afford (Itv., WBNDA, Economic Development Co-ordinator; Northern Pen, 17 May 1989; Itv., Town of St. Anthony, Mayor).

The experience of other Community Futures Committees shares many of these same problems. The Town of Gander applied for Community Futures designation to replace an earlier business development corporation funded by Employment and Immigration. The federal Department wanted the Committee area to encompass a wider territory and selection of representatives. Ultimately a region of almost twelve thousand square kilometres was designated, with a committee of 17

members. The Gander Mayor and Committee Chairman, Reg Sheppard, said that initially the Development Associations tried to get control of the Committee, but 'they think too small'. The Committee in 1989 thus had eight municipal representatives, three from the Associations, two members of women's organisations, and one representative each of the Fogo Island Co-op, the Regional Indian Band Council, the handicapped and a banker. Sheppard complained that choosing Committee members on the basis of organisations, rather than choosing the 'best people' made the group difficult to manage. Like the Northern Peninsula, moreover, 'petty regional competition', with 'each only interested in their own area' has plagued the ability of the Committee to work together as a region (Itv., Gander Area Community Futures Committee, Chairman and Gander Mayor; Gander Area Community Futures Committee, n.d.; Itv., Town of Lewisporte, Mayor and Gander Area Community Futures Committee Member).

On the west coast of the Island, the Mayor of Corner Brook has established a firm control of the Greater Humber Community Futures Committee, with members appointed as 'individuals known to be community-minded'. Only three of a Committee of fourteen are municipal representatives (the other two are from Deer Lake and Pasadena), three are members of Development Associations, two businessmen and two Chamber of Commerce representatives (Corner Brook and Deer Lake), and one each representing organized labour (Corner Brook is a mill town), the Regional Native Band Council, the regional vocational school and the Committee's BDC. While half of its membership is from Corner Brook or Deer Lake, the Committee meets in different parts of the region to engender a wider sense of participation (Itv., Greater Humber Community Futures Committee, Chairman and Corner Brook Mayor).

Once again, however, municipalities and Development Associations - with or without a member on the Committee - feel that the region is too large and the Committee is not responsive to their needs (Itv., Town of Pasadena, Mayor; Itv., HVDA, Economic Development Co-ordinator; Itv., Local Service District of

Spillway, Treasurer). The Pasadena Economic Development Officer, Bill Pardy, a member of the Committee, rejected the appointment of individuals without regard for their organisational affiliation. He argued that the Committee needed 'a balance of the different organisations in the area, and ask them to appoint their member'. Significantly, he was intending to drop out of the Committee because of the time required for his municipal development activities (Itv., 29 September 1989).

An exception to these complaints with Community Futures Committees is to be found in the interior of Newfoundland. As on the Northern Peninsula, the Buchans Region Committee was established in response to the closure of the local mine. Because Buchans, and its two neighbouring communities, Millertown and Buchans Junction, are a regional cul-de-sac over one hundred kilometres from the nearest large centre, Grand Falls, Employment and Immigration agreed to designate them as a separate Community Futures area - the smallest in Newfoundland.

Because the region is so sparsely populated (less than 2,000 people), because it includes the exact same territory as the Red Indian Lake Development Association, and because all three towns are within half an hour drive of each other, there has been little of the inter-community rivalry experienced elsewhere. With such a small population to draw from, moreover, the same individuals are usually represented on the various organisations. At one point, Sean Power was Mayor of Buchans, Development Co-ordinator for RILDA and Chairman of the Community Futures Committee. This overlapping of members has enabled the Buchans Region to integrate the various organisational forms to meet the planning and project needs of each community. A locally controlled Development Corporation has been formed in Buchans to manage mine buildings and assets for economic diversification, while RILDA works more closely with the two smaller communities on resource and tourism projects, in addition to make work (Itv., Buchans Development Corporation, Marketing Director and Executive Director).

As will be discussed in Chapter 5, such overlapping control of different organisations can lead to potential conflicts of interest, especially when funding and employment is being allocated. This is a problem experienced in sparsely populated regions in both countries. As a smaller region, nonetheless, spatial structures coincide with social relations to a greater degree in the Buchans area than more territorially dispersed areas. Within the Community Futures framework, however, Buchans is an exception. The GNPDC, as we have seen, has the same territorial problems as most Community Futures Committees, in addition to its own problems as the 'business arm' of voluntary organisations.

The House Commission's proposed Regional Development Boards would share the problems of accountability and legitimacy as the Employment and Immigration quangos, yet they would attempt to integrate diverse organisational and territorial interests over much larger regions. The only geographic level 'tentatively' proposed by the Commission, was to relate the Boards to the five regional college zones it also recommended. Where there are fifty-four Development Associations and about fifteen Community Futures Areas, there would be five provincial quangos for the entire Island and Labrador. The western Newfoundland region under such a scheme would include what are now the Great Northern Peninsula, Greater Humber, Stephenville/Port au Port, Port aux Basques and Labrador Community Futures Areas (Newfoundland. Royal Commission, 1986:322,372). Of course, the Commission saw the existing Development Associations as playing an enhanced role in the implementation of development activities, but we have seen how well they are able to co-operate in the case of the GNPDC. It remains to be seen if the local state could operate on a regional basis more effectively than these organisational forms, while maintaining - or enhancing - its democratic accountability, participation rates and legitimacy.

4.8 The Local State, Territory and Identity

4.8.1 Regional Government in Newfoundland?

In a conference organised by MUN Extension in 1987 for rural organisations to study the House Commission Report, Doug House was asked to comment on the Commission's relative neglect of municipal structures. He noted the significant growth in the number of municipalities in Newfoundland, but added that this was not accompanied by a growth in the level of responsibility or fiscal arrangements. Consequently, the Commission saw the proposed Regional Development Boards as 'a substitute for regional government' (MUN Extension, 1987:163). With federal, provincial and municipal government all represented on the boards, while Development Associations played the lead role, the question of political accountability in such an arrangement went unanswered (7). The Commission did call for the province to 'institute a plan for the gradual devolution of greater administrative authority to the municipalities and for the establishment of regional government', but this was not included as a specific recommendation, as was the creation of Regional Development Boards (Newfoundland. Royal Commission, 1986:442). When the Economic Recovery Commission was established, significantly, it did not involve the Department of Municipal and Provincial Affairs in its formulation of decentralisation plans (Itv., Government of Newfoundland and Labrador, Department of Municipal and Provincial Affairs, Deputy Minister).

The call for a level of regional government to compensate for the weakness of existing small municipalities and unincorporated communities is not a new one in Newfoundland. The 1974 Whalen Commission Report, upon which the legislative changes of 1980 were based, recommended the creation of a regional tier of government in Newfoundland to enable efficiencies in pooling money, facilities and equipment and the provision of joint services. The inability of small municipalities to employ trained administrative and technical staff would be

7 A reservation expressed by Memorial University Political Scientist, Susan McCorquodale, at the same conference (MUN Extension, 1987:16).

overcome, and the regional bodies could provide services to unincorporated communities within their territory. A directly elected council would be established, but the regional authorities would not be empowered to levy regional taxation within existing municipalities, nor would it replace them. Fees could be levied for services provided, and additional functions or powers could be delegated by existing municipalities (Whalen Commission, 1974; Boswell, 1984).

The 1980 legislation introduced by the province provided for the creation of such bodies on essentially the same lines as recommended, although it included representatives of existing municipalities on the regional councils, as well as directly elected members. No effort has been made to implement the provisions, however. In 1987, the Minister responsible maintained that the province still supported the concept, but 'rather than impose regional government structures [we have] preferred to encourage municipal co-operation until the municipalities themselves begin to realize the advantages of a regional system in providing municipal services' (Newfoundland Information Service, Municipal Affairs, 30 December 1987).

Yet, the provincial Federation of Municipalities and over three-quarters of municipal councillors have expressed their support for regional government (Boswell, 1984:7-8; Boswell and Norman, 1987:18; O'Keefe, 1988). In 1988, a senior Departmental official cautioned that 'we don't want to use the word "regional government"; we don't want another tier of government - another level of taxation' (Itv., Government of Newfoundland and Labrador, Department of Provincial and Municipal Affairs, Assistant Deputy Minister). Under the legislative provisions for regional government, as mentioned above, an additional level of taxation was explicitly precluded. Boswell suggests that the fear of another layer of bureaucracy, combined with a potential reduction in their own power, predisposed provincial politicians against regional government (1977:25), an argument that could no doubt also apply to provincial civil servants.

In July 1989, the Minister of Municipal and Provincial Affairs in the new Liberal administration announced a programme of municipal amalgamations to achieve some of the cost efficiencies of regional government, without the addition of a political and administrative level. A former St. John's City Councillor, Eric Gullage entered his new post with first-hand experience of the problems of municipal government - from the perspective of the capital city. Under the plan, 113 designated municipalities (of a total 309 in the province) and nearby unincorporated communities were to be consolidated into 43 municipal units. The primary motive was in line with the new system of operating grants and subsidies announced a year later, as discussed in Section 4.4.1.: to reduce provincial expenditure by inducing higher local taxes. If all the amalgamations went ahead, Gullage envisaged annual savings of $50 million for the provincial government. In the process, local governments would become more economically viable with a larger tax base, more local staff could be hired, regional planning introduced, and a greater population would be available from which to draw councillors. Community boundaries that had physically grown together were the first criteria for amalgamation, followed by 'bedroom communities' which enjoyed low tax rates while residents worked and used the services of adjacent larger neighbours, and, the reverse, situations where adjacent towns had greatly divergent tax rates because one had the advantages of corporate taxes from an active business community. Gullage advised that Department officials would be holding hearings in affected communities to discuss the feasibility of the mergers, but warned that the provincial government maintained the power to force amalgamations even where opposed (Gullage, 1989; Department of Municipal and Provincial Affairs, Government of Newfoundland and Labrador, 1989; Strowbridge, 1989a; Batchilder, 1989b).

The subsequent outcry from across the province, with accusations of another Liberal re-settlement programme, soon had the Premier intervening to announce that no amalgamations would be concluded without the consent of the municipalities affected (Doyle, 1989). The Local Service District of Spillway

opposed its proposed merger with Deer Lake, along with three other communities, because property taxes would be introduced in addition to the small service charge they currently paid for garbage collection and street lighting. Snow clearing was done by the province and there was no water or sewer system for the community of 261 people. The District Committee Treasurer admitted that residents used all the services of Deer Lake - 'the only thing we don't do there is vote' - but feared that its political representation within the larger centre would be negligible. As long as they were separate, moreover, they could benefit from Development Association projects, which as part of Deer Lake they would be less likely to get (Itv.).

On the Great Northern Peninsula, neither Norris Point nor Rocky Harbour favoured their designation for amalgamation with each other, claiming that they would both suffer economically, and that they already shared services where it was efficient, such as the garbage dump. Both would seem to have benefited from earlier provincial largesse, as each had water and sewer systems and their own fire truck. Municipal politicians in both communities cited the four miles that separated the communities as if they were an insurmountable barrier to union, and a pride in their independence and separate identities made amalgamation mutually undesirable (Itv., Town of Rocky Harbour, Councillor; Hughes, n.d.).

Further up the Peninsula, community identity is manifested in near confrontation. Port au Choix and Port Saunders are known throughout the region for their long-standing rivalry. Although the former is the most successful economically, employing many Port Saunders residents in the fish plant, both see union as necessitating tax increases for themselves. They do share some services already - a hospital, schools, a marine centre - but they have no desire for closer relations. The Port au Choix mayor stated that when she came to the community forty-seven years earlier as a school teacher, 'the bad feeling between the towns was there then, and its still there; it's like the Hatfields and McCoys'. The feeling was clearly infectious, as she noted how the Port Saunders council rejected the

amalgamation proposal before they had even seen it, 'it made us out to look bad...the way they act, who'd want to be mayor of that? I'd quit' (Itv.; Northern Pen, 26 July 1989).

Yet eleven communities have agreed to the amalgamation proposal (NIS, Municipal and Provincial Affairs, 10 May 1991), and numerous existing municipalities are the product of earlier mergers mutually agreed upon without provincial intervention. Corner Brook was formed through the amalgamation of four separate communities in 1956, and residents maintain that their own area still preserves its separate identity. Three more adjacent communities were proposed to amalgamate with Corner Brook in the current initiative, but the smaller, essentially bedroom communities were against the increased taxes it would bring (Itv., Greater Humber Community Futures Committee, Chairman and Corner Brook Mayor; Blackmore, 1989). Pasadena is similarly the product of earlier mergers, the first in 1955 and another in 1986. Even Port au Choix was formed by combining three communities in 1966 - as an expanding designated fisheries resettlement centre - and the Town Manager contends that, if left alone to proceed as the two communities grew together, it could even unite with Port Saunders 'sometime in the future' (Itv., Town of Pasadena, Mayor; Pasadena Economic Development Committee, n.d.:1-4; Itv., Town of Port au Choix, Town Manager).

The desire to preserve community identity has been as much, if not more, of an issue in the proposed amalgamations than taxation. This can be easily seen in cases of adjacent rural communities, which both have low tax rates, opposing merger. The creation of Rural Districts under the 1949 Local Government Act, whereby individual communities could unite for 'municipal purposes' without losing their individual identities, was a recognition of this (Boswell, 1984:3). When the Rural Districts were converted to Towns under the 1980 Act, many of these municipalities maintained the separate names of the member communities in a hyphenated Town name. The House Commission dismissed as 'old jealousies and rivalries among adjacent communities' such tendencies which impeded the

formation of regional government (Newfoundland. Royal Commission, 1986:34), but emphasis on political independence goes beyond petty emotional distinctions. In several areas of the province, municipalities have formed joint councils to foster regional co-operation, but these councils are based on voluntary co-operation of autonomous municipal units. The tensions within Norwegian Kommunes concerning territorial representation can shed further light on the significance of identity in political representation.

4.8.2 Localism in Northern Norway

In a study of four Northern Norway kommunes, with similar socio-economic characteristics, Larsen explored the extent to which territorial identification within the kommune could impede economic development activities. Defining localism as 'the political values within a society linked to conceptions of social space or territoriality', he challenged the assumption that it was a 'feature of backwardness', impeding integration into modern political systems. Rather, he examined the extent to which territorial identities coincided with the boundaries of the local political/administrative kommune unit - when they did, territorial integration could be said to have been achieved. Not surprisingly, as will be discussed in more detail in Chapter 5, the kommune mayor was better able to promote economic development activities where the kommune was territorially integrated. Where territorial identities cut across the kommune boundaries, individual communities within the kommune competed for kommune services and economic enterprises (Larsen, 1983:12-15,22,25).

It is important to remember that kommunes were based on the existing parish structure when they were established in 1837. As such, they included several geographically distinct communities. Vega, an archipelago of some 3,000 islands, was initially composed of numerous island communities. On the main island of Vega there were seven or eight separate villages. As populations concentrated to take advantage of schools and social services, most of the islands were

depopulated and the road network on the main island linked the towns together in less than half an hour drive. Not until 1989 was a central school opened, nevertheless, and the separate communities have fought to keep their own schools open as long as possible. The nearest high school is on the mainland in Bronnoysund, to which students commute daily by ferry. Vega is thus increasingly integrated into the mainland, but as will be seen, this is a development the council has been eager to promote to maintain the population of the kommune (Itvs., Vega Kommune, Mayor, Economic Development Officer, 4 June 1990).

In Lyngen, which takes in five separate communities in an area of 865 square kilometres, the mayor maintains that 'we prefer to live scattered' (Itv.). The kommune still operates four separate schools, but a 3.5 kilometre tunnel completed in the mid-1980s enabled school children from Furuflaten to be bused year-round to the school in Lyngsaidet, the kommune centre. The people of Furuflaten, who have succeeded in building up several manufacturing firms in a community of 350, feel that they have received nothing as part of Lyngen. Because of avalanches from the surrounding mountains, they were often isolated for months in winter, so 'we were very used to helping ourselves'. This sense of separate identity has not been translated into efforts for political autonomy, likely because of the prosperous local economy. Local street lighting and the water and sewer system were paid for and installed by local residents, using some of the products manufactured in the town (Itv., Uponor A/S, Technical Director).

In Salangen, the opposite has been the case. There the neighbouring kommunes of Salangen and Lavangen were consolidated in the amalgamations of the 1960s, only to be one of some twenty 'divorces' throughout the country in the late 1970s. As mayor of the combined kommunes after 1966, Per Tonder emphasized the need for all kommune and private services to be concentrated in Salangen's largest centre, Sjovegan, and all industries to locate in a designated site seven kilometres from the centre, but again, within Salangen. Despite the fact that its residents were within a half hour drive from both locations, community leaders resented Tonder's

concentration policy. Salangen has continued to prosper, largely because of its success in attracting new services and industries to its designated locations. Lavangen is one of the poorest kommunes in the region, with most of its residents still commuting to Salangen, while the latter collects the business taxes (Itv., Salangen Kommune, Mayor; Reiersen, 1984:10; Larsen, 1987:19). It is difficult to see how Lavangen benefited from regaining its autonomy, but where political leadership refused to acknowledge the existence of local identity, the result was not surprising.

4.8.3 Leadership and 'the Common Good' in Overcoming Territorial Rivalries

Larsen also identified leadership as playing a crucial role in the success, or otherwise, of overcoming intra-kommune territorial rivalries. In one of the kommunes he studied, several island communities competed with the only mainland community for the location of the kommune centre. The position of mayor alternated between a representative of each side from one election to next, perpetuating the conflict and impeding common development initiatives. In another kommune, the most successful in implementing economic development activities, the mayor was not from the kommune, so was not identified with one section or another. He emphasized projects which could benefit the whole community, and was elected on a party list rather than one of the local groupings based on territory (Larsen, 1983:9,16-21).

Indeed, the increasing role of national political parties within kommune politics has not displaced the prevalence of territorial identity, as an integrative or disruptive local influence. In one kommune Larsen observed, national parties had been adapted to the local divisions, with one party representing the islanders and the other controlled by the mainlanders. In general, though, he observed that kommune councils attempted to overcome party divisions and reach consensus in the promotion of a 'local common good'. Whether such a common interest could

continue to be defined as peripheral kommunes were subjected to increasing economic pressures, however, was less certain (ibid.,7-8; 1989:11; 1985b:14-14).

In Northern Norway in 1989, according to several kommune mayors and opposition leaders, increasing economic difficulties diminished ideologically-based policy alternatives, as territorial survival necessitated council consensus. In Vega, Mayor Osvall Floa maintains that absence of party philosophy on which to base your actions is an indication of a 'primitive political system'. Because his party (Labour) did not control the majority of council seats, however, it was necessary to work with the other four parties, each of which had a representative on the five member Executive Board of council. Because his job was 'to get results for the kommune', he saw himself as 'mayor for all the parties' (Itv.). The Conservative Party leader within the council agreed. He supported the Mayor's active development strategy as being 'our only chance; it's progressive'. He noted that party organisation was superior to local, territorial groupings, despite the lack of ideological significance on the local level. Local branches of national parties could benefit from the resources available from higher levels, and could use party contacts in dealing with the national government, something, he added, Vega was especially good at. If someone from the national Conservative Party was coming to Vega, he would always arrange a meeting with the mayor (Itv.).

In Salangen, the kommune mayor said that the parties worked closely, even though his Labour Party held the majority (Itv.). Again, the Conservative leader supported this view. Tore Ratkje brings the added perspective of being a member of the Troms Fylke Council as well. He explained that party platforms on the Fylke level make more of a difference than they do for kommune politics, but even on the former, councillors 'are more concerned with your district'(8). In kommune elections, he noted, voters are permitted to cross off the candidates given priority

8 As mentioned in Section 4.9.3., while fylke elections are based on proportional representation within the entire fylke, the parties balance their electoral slate of candidates by region within the fylke (Itv., Salangen Kommune, Opposition Leader and member of Troms Fylke Council).

by the parties and vote for individuals lower down on the list, reflecting the fact that 'the person matters more on the kommune level than the party'. 'When it comes to doing the job on the local level', he explained, 'party doesn't matter...there aren't so many ways of doing it'. While 'many high up in the party' complain that 'the way you're doing it is not the way the party platform says to', he responds that 'local problems don't fit national plans: there's a big difference between being a Conservative in Salangen and being a Conservative in Oslo - a hell of a difference!' In the end, he concluded, 'I'm very much a local patriot - I don't care what your party is' (Itv.).

It is significant that these expressions of kommunal co-operation and identity were made by politicians in kommunes where natural concentration of population or previous kommune divorce have enabled, in Larsen's terms, a high degree of territorial integration: the political and administrative boundary of the kommune closely coincides with local identity.

In Newfoundland, there has been little recognition of the need for such territorial integration. Felt and Sinclair suggested that structural changes, in addition to improved communications, were necessary if the GNPDC was to survive. Rather than taking the vast size of the GNPDC area into account, within which Development Associations and municipalities alike had different interests from one region to the next, they called for more direct participation by members. If the annual general meeting was made open to more Development Association members, they suggested, including voting rights, increased community participation would add legitimacy and public support to the GNPDC's activities (1988:15; 1989:21). Not only does this view ignore the low levels of participation in the member Associations, and the tenuous relationship of the GNPDC with the Community Futures Committee and municipalities on the Peninsula, but it

assumes that participation can overcome differences in interest rooted in social and spatial relations. (9)

4.8.4 Adapting Structure To Territorial Identity

While Newfoundland municipalities have attempted to gain the benefits of regional co-operation without losing local political autonomy and community identity, some Norwegian municipalities need to decentralise decision-making within their own boundaries to recognize distinct identities. For separate geographic communities within large kommunes in Norway, inspired leadership has not been relied upon to enable local control over decisions which directly effect the level of services or planning. Instead, experiments are underway to enable 'neighbourhoods' to gain greater control over their own affairs, while remaining part of the existing kommune. The national Local Government Association has co-ordinated eight such initiatives in different parts of Norway (Itv., Vega Kommune, Mayor; Roar Amdam, 1989).

In Tromso Kommune, nineteen community committees receive 20,000 Nkr annually to liaise with kommune staff and advise them on local needs and problems. Tromso claims to be the largest municipal authority in Europe, covering 2,558 square kilometres and including some thirty individual communities. Eighty percent of Tromso's population of just under 50,000, however, resides on or next to the North Norwegian regional centre, Tromso Island. Consequently, after the needs of the urban centre have been met, 'there is not much left for the rest of the kommune' (Itv., Tromso Kommune, City Engineer).

For the fishing community of Sommaroy, a forty-five minute drive from Tromso Island, the community committee (Utviklingslag) represents a vehicle to influence

9 Sinclair, 1989:38, acknowledged 'some tension' as a result of 'competition for scarce resources (ranging from government funds and services to fish quotas and licences) and other sources of rivalry', but maintained that 'there has been no serious problem based on the fact that the region contains many different communities and covers a large geographic area'.

those decisions whic most immediately effect its population. Committee Chairman, Kjell Hveding, explained that developing a town plan that met the needs of a rural community was the initial motivation for the committee's formation. Sommaroy formed its own committee before the kommune programme of support was begun in 1986. Today it shares the community committee with an adjacent fishing community, bringing their joint population to 650. For communities dependent on the fishery, Hveding maintains, the time it takes for building approval in the city is too long: 'we can't operate on city time; one year our economy is good, the next year it isn't'. The community now has a local board for building permits, and the committee is waiting on kommune approval of their own flexible municipal plan. They are also developing initiatives to integrate community health care and care for the aged, with a multi-purpose community centre, and to develop cultural activities for residents and to encourage tourism (Itv.; Marciniak, 1988).

Not surprisingly, Hveding complains that insufficient administrative assistance and funding are inhibiting their efforts. The former has been partially alleviated by a kommune pilot project in Sommaroy, with an employee of the kommune based in the community to provide assistance to the community committee - kommune deconcentration. If the committee is to realize its goals Hveding adds, 'we need a pot of money for local decisions'. He does not see an autonomous municipality as desirable for Sommaroy, as Tromso Kommune is responsible for many functions that such a small community could not adequately provide. Problems such as town planning, garbage disposal, water and sewerage, local home health care - essentially the same services that Newfoundland municipal government is responsible for - are those seen as appropriate by Hveding for the community level, within the framework of the existing kommune (Itv.).

In terms of local participation, the community committee is elected annually at an open meeting of all residents. Depending on how many fishermen are out to sea, about 20 percent of the population turns out. Hveding's position as manager of the

local general store, owned by his uncle the fish plant owner, means that he is usually in the community. It also means that he represents a traditional position of authority, although he maintains that the seven member committee represents a cross section of the population. Four of the committee members are women. When the committee was first formed, it established several sub-committees on each of the areas of concern, with additional community participation. Too few people were able to attend all the meetings, however, so the seven member committee now conducts all the activities. He noted that the practice of balancing the number of representatives from each community had been dropped recently, because people could see that the interests of both were being served. Because he had grown up in the other community, but now lived in Sommaroy, 'I know all the people...maybe that is easier, because they know I am from both of the places' (Itv.).

In other areas of Northern Norway, efforts are underway by neighbouring kommunes which are within close proximity to one another, to work more closely together. Despite previous disputes, the kommunes of south Troms, including Salangen and Lavangen, are working together on joint service provision and economic development on a regional level. These initiatives have been fostered, for the most part, by economic development workers in the Troms Fylke administration. The kommunes see the benefits of co-operation, but are still cautious of any change that would threaten their individual political autonomy (Itv., Salangen, Mayor; Itv., Troms Fylke, Planning Chief).

The five kommunes of South Helgeland, the region furthest south in Nordland, are much less hesitant about regional co-operation, even on the political level. The region has historically been closely integrated with links extending back to the 1890s in joint ferry services. Later the five kommunes built a hydro-electric plant together, operated a school for craftsmen and ran a common bus company - anything 'that separately, our kommunes were too small to handle'. Some co-operative measures were dropped as the individual kommunes developed the

capacity to provide them separately, such as town planning and engineering. But now joint cultural activities, a school for children with learning disabilities and economic development initiatives are at the forefront. A joint mayors' council meets once per month, and they are starting to build up a common administration funded jointly by all five kommunes (Itv., Vega Kommune, Mayor).

Vega mayor, Osvall Floa, contends that South Helgeland makes sense as a region. There is one regional centre, in Bronnoysund, and all five kommunes are within easy reach, either by road or ferry. He sees the possibility of a single municipality encompassing all five individual kommunes 'in time', but only 'if the people in this area want this to better achieve the service and the good living...it has to be wished by the people living here'. Already, he notes, the young people of Vega are not so closely linked to the island as a sense of identity, but think of themselves as 'South Helgelanders'. As will be seen in Chapter 5, Floa does not see this as leading to outmigration from Vega, but with improved transportation links, enabling people to live in Vega as part of a strong regional economy (ibid.).

4.8.5 Whose Identity? What Identity?

How to make sense of quangos that can not co-operate, voluntary regional development corporations that try to be quangos, municipalities that are too small and weak to function effectively on their own, but refuse to amalgamate, kommunes that are too large to meet the needs of individual communities, and groups of kommunes that are merging into regional communities? The common denominator is space.

In attempting to apply a Marxist analysis of economic change in the Norwegian periphery, McKenzie acknowledged that the smaller - geographically - a kommune is, the more representative its council is of the local population. While class divisions, and other forms of division, exist within the local community, the local state gives expression to the local social formation, which can - and almost always

does - vary markedly from the aggregate fylke or national social formation. With the predominance of fishing and farming in peripheral regions of Norway (like Newfoundland) this is even more the case. The local state can be captured by social and political interests that are explicitly opposed to the interests of the fylke (or provincial) and national elites. Because it encompasses varying social formations, the fylke (or province) - while usually representing different interests than the national state - is distanced from individual social formations within its territory. Even where conflicts are class based, because ownership is usually outside the locality, they take the territorial form of centre-periphery (McKenzie, 1981; Olsen, 1983; Otnes, 1975).

The local social formation can also be significantly effected by religious, ethnic or other social factors. Sommaroy is one of few Baptist communities in Northern Norway, and the sense of community engendered is seen to have fostered the relatively early calls for increased local participation (Marciniak, 1988:13-14; Itv., Sommaroy Community Committee, Chairman). In Newfoundland, many long-standing community rivalries are attributed to Catholic-Protestant divisions (Itv., SBDA, President; Neary, 1969:40-41). In the case of Furuflaten, the sense of isolation due to harsh winter conditions and the rugged terrain, would seem to have induced a sense of independence from the rest of Lyngen, which remains even now that they are linked year-round by a tunnel (Itv., Uponor A/S, Technical Director; Itv., Troms National Administration, Economic Consultant). Larsen has noted how the creation of local government alone can be a 'producer of symbols and meaning; even of local culture and a sense of belonging' (1987:12). This can be clearly seen in the statements of 'community spirit' in Buchans as it struggles to prevent residents from having to move and become 'refugees in their own country' (Ivany, n.d.; RILDA, 1985:19).

A sense of community, as a source of internal cohesion and external division, can thus be engendered by numerous forces, which combine and reinforce each other in many ways. While rejecting the consensus implied by 'community' in English as 'an

ideology which bears a marked resemblance to nationalism', McKenzie nevertheless used it as the basis for the non-capitalist recruitment of labour in peasant production - the equivalent of the capitalist labour market (McKenzie, 1981:27-28;376).

In Newfoundland, the Regional Development Associations evolved as a means for the traditional- subsistence economy to adapt to the changing economic structure of the province. Wadel recognized in 1969 that individual Newfoundland outports were linked with nearby settlements to form inter-dependent communities, a process that was accelerating as the expanding road network fostered closer relations. The growing infrastructure of educational and health facilities built on traditional linkages, such that 'the broader but still small area concept of the community' could be recognized in decentralizing economic decision-making (1969:35;122-23,144-45). In 1974, the Whalen Commission identified twenty-seven sub-regions which could form the basis for regional governments (1974:484), and in 1980, the Economic Council of Canada issued a report on economic development on Newfoundland that called for planning to be based on the emerging 'peninsular communities' on the Island (1980:16-18,156).

Yet, all three levels of government in Newfoundland, as with supporters of the voluntary Development Associations (Fuchs and Thompson, n.d.:2; Simms, 1986:11-12), have failed - or refused - to consider how the structure, function and finance of a strong local state could be adapted to regional communities. In part, this is a reflection of the historic underdevelopment of local government in Newfoundland. Institutional structures have evolved to fill the resulting vacuum in local decision-making, which now have their own institutional interests to maintain. The fact that experiments are underway with federal and provincial quangos and voluntary Development Corporations, nevertheless, indicates that there are fundamental characteristics of a strong local state which cannot be ignored - local democratic accountability with the authority and resources to act on behalf of the local social

formation (however conceived), both in representing their interests to - and against - higher levels, and with the power to enforce decisions locally.

But for political organisation and economic strategy, spatial relations must be accounted for. The experiments in devolving power within large kommunes and encouraging co-operation between small ones are an acknowledgement of this. Even the smallest territorial groupings will contain individuals and groups with conflicting interests. The question is at what spatial level do these conflicting interests outweigh the commonalities of community interest. For peripheral communities, whose very existence is threatened by economic stagnation and out-migration, the locality - local labour market areas - seems to provide the necessary common denominator for a shared sense of fate. Pre-existing local political bodies may have their own interests or identities, but where these do not coincide with the locality, they must accommodate themselves to it - whether this requires intra-municipality decentralization or inter-municipality co-operation.

4.9 Conclusion

In Norway, despite the on-going struggle between territorial representation and sectoral organisations, local autonomy is deeply rooted in the national political culture and institutional structure. While efforts to decentralise local fiscal control and increase legislative and regulatory autonomy can be seen as a national abrogation of responsibility, they do provide local social formations with the means to adapt the local state to their needs.

The underdevelopment of Newfoundland's political institutions, like its economy, is rooted in its colonial past. Economic and social forces have combined to militate against the formation of effective and autonomous local decision-making bodies. The fragmented nature of a federal national state has reinforced institutional confusion on the local level, as both levels of government appoint their own regional bodies, in addition to departmental bureaucracies. Voluntary, third-sector

bodies, with their largely misleading claim to community participation, have served only to dilute and deflect initiatives which may have enhanced the role of the local state.

Despite the significant differences between the development - and contemporary forms - of the local state in Newfoundland and Northern Norway, the factors which contribute to its relative strength and effectiveness are at play in both contexts. Local bodies or agencies of higher levels of government have operated in both regions, but their common lack of local democratic accountability has resulted in ongoing reformulations and experiments in organizational form. The fiscal and legislative strength such bodies derive from higher levels of government are insufficient without the legitimacy to speak for the local constituency. Appointing representatives of various local organizations and boards, including local government (as do Community Futures Committees) only provides a forum for institutional and regional competition.

More than local democratic accountability is required for effective local decision making, however. Newfoundland Regional Development Associations are elected in open, community meetings, but without the authority and responsibilities enjoyed by local state bodies - even as weak as they are in Newfoundland - third sector organizations remain marginal where local government exists. The local state empowers local politicians to speak for their community, lobby higher levels of government and develop political and administrative coalitions. Better educated leaders are also less apt to be controlled by paid staff. As seen in the case of Norwegian kommunes, strong administrations are able to complement stong political leadership in local development activities - within a strong local state they need not be mutually exclusive.

Whatever the organizational form, finally, the Newfoundland and Norwegian cases reveal the significance of space in the consideration of local decision making. Unless social relations and spatial structures coincide so as to provide human

communities with political and administrative institutions to express their needs, organizational forms will be hampered by regional competition for scarce resources, particularly in areas of dispersed population. This can be seen in Newfoundland quangos, regional development corporations and municipal amalgamations, and in Norwegian kommune sub-divisions and co-operative efforts. Divisions exist within communities of any size, but if a common fate is perceived through spatial proximity, some degree of co-operation or common cause is likely.

In both Newfoundland and Northern Norway, however, efforts to facilitate economic development require more than institutional rearrangement. No matter how much juridical and conventional authority, democratic accountability, fiscal and administrative capacity, and territorial integration they enjoy, local bodies operate within the constraints of the national and global economy. The degree of success in manoeuvring within these constraints will depend on the strategies taken. Human agency is structured by institutional constraints and facilitated by institutional resources, nonetheless. Strategy and structure are inextricably interwoven, as a consideration of traditional and emergent local development strategies will reveal.

CHAPTER 5

The Local State and Economic Development in Newfoundland and Northern Norway

5.1 Introduction

For Newfoundland and Northern Norway to attempt to overcome the historical and contemporary obstacles to development presented by their respective political economies, political forces must be confronted as much as problems of production. As outlined in Chapter 2, emerging trends in the global economy may be opening new opportunities for development not previously available to peripheral regions. In some areas these opportunities may be realised by the movement of capital in search of higher profits, without government intervention. Mobile capital is not known for its sensitivities to local needs and aspirations, however, and its very mobility enables it to move when such factors impede profitability. If peripheral regions are to escape such vulnerability, some means must be found of rooting production territorially.

National, provincial and fylke governments respond to numerous sectoral and regional forces in devising economic policy. In the process, as seen in Chapter 3, many sub-regions and communities are excluded from decision-making and are adversely affected by government policy. It is impossible for these levels of government to respond to the needs of every locality or region. Chapter 4 delineated the relative strengths and weaknesses of the various forms of local state found in Newfoundland and Northern Norway. Assuming that a strong local state was established with sufficient 'territorial integration' to encompass a sense of regional community or polity within its political and administrative structure, and had the necessary legislative, fiscal and administrative capacity to intervene effectively in the local economy, how could it facilitate the linkages necessary for sustainable economic activity?

An examination of how the local state in Newfoundland and Northern Norway has approached local economic development provides an indication of the opportunities and limitations. There is little evidence of articulated strategies to generate regional production systems based on networks of interdependent small and medium-sized firms. Most efforts have been aimed at gaining public-sector funding and facilities from higher levels of government, or in attempting to attract mobile capital. These efforts have not been unqualified failures, though, and could be seen as complementary to more innovative local development strategies.

Indeed, a review of what can be broadly referred to as 'traditional approaches' to local economic development reveals a range of strategies undertaken by local economic decision-making bodies. These are described in Section 5.2. Efforts to attract public sector spending and facilities to the locality have emphasized their contribution to public services and the quality of life, as well as direct job creation. As higher levels of government enforce fiscal restraint, this becomes more and more a zero-sum game as neighbouring regions compete for increasingly scarce funds.

Encouraging local self-reliance by viewing the informal economy and seasonal employment as strengths to be built upon is another strategy with intrinsic limitations. While home ownership and enjoyment of rural lifestyles remain central to a valued way of life in Newfoundland and Northern Norway, they are insufficient to stem the flow of out-migration in search of employment in the formal economy.

Incentives to attract mobile capital have been the most common method adopted by local decision-makers, usually using funding from higher levels of government, to bring the formal economy to peripheral regions. Conventional critiques of such strategies emphasize the vulnerability of relying on mobile capital for economic

development. The Newfoundland and Norwegian cases bear this out, but not without qualifications. For regions with little local capital and few local capitalists, there are few options, and once established, some externally-controlled enterprises do develop linkages with the local economy.

If private enterprise is weak, another option is public enterprise, as local agencies enter the sphere of production directly. This also enables goals other than profit maximization to be set, although the record of local development bodies in Newfoundland and Northern Norway is at best mixed in this regard. Most often, public or community-control is inspired by lack of options, not progressive policy goals. As will be discussed in Section 5.2.6, local intervention in production requires clear conceptions of community interest and trust, particularly when government or community agencies enter partnerships with private firms.

Most recently, fiscal restraint combined with industrial restructuring has led to a neo-conservative emphasis on entrepreneurship and individual initiative by many national governments. Local decision-makers have not been immune from this trend, especially as it relates to a largely uncritical support for small business and service industries. Often this is simply a willingness to dance to the tune of he who pays the piper, although local decision makers are just as susceptible to post-industrial wishful thinking as politicians and policy makers on higher levels.

Support for small business and new service industries need not be removed from an awareness of regional production systems and the importance of propulsive manufacturing industries, however. Section 5.3 reveals how local development bodies in Newfoundland and Northern Norway are gradually realizing the need to facilitate inter-firm linkages, in which producer services play a key role. More often, linkages are emerging spontaneously, as firms established through previous development efforts adapt to changing market and production conditions. If the necessary balance of co-operation and competition in these arrangements is to be achieved, though, public bodies must adopt a supportive strategy.

Section 5.4 thus concludes with a consideration of how local organizational forms can be best structured to implement strategies designed to reinforce and co-ordinate these emergent trends. If peripheral regions are to seize existing opportunities, the political leadership, authority and legitimacy of the local state must be combined with administrative and organizational coalitions which bring together whatever financial and human resources are available within depressed localities. Even where local institutions are sufficient to implement innovative development strategies there are questions that remain open as to how effective the local state can be in generating regional development. National and global forces must be confronted over which local - or national - actors have little control. In the end, communities fighting for survival have little alternative but to try, and within all the constraints they face, there are some reasons for optimism in the analysis that follows.

5.2 Strengths and Weaknesses of Traditional Approaches

5.2.1 Turning to Municipal Government for Economic Development in Newfoundland

The political and economic impediments to national regional development policies in Canada, and the failure of the Newfoundland government to take advantage of opportunities that have existed throughout its history, were examined in Chapter 3. The former mayor and economic development officer of the Town of Pasadena on the west coast of Newfoundland, Bill Pardy, expressed the view that it was 'left to local people with new ideas, modern tools and a positive approach to improve their own situation' in light of the failure of most efforts by senior levels of government to solve their economic problems (1988:15). Even where municipal governments still see their primary function as service provision, cut-backs in transfers from higher levels and declining tax revenues from stagnant local economies have induced an interest in local development. The economic development officer of Corner Brook, near Pasadena, noted that the city had to

promote local economic development in order to generate the revenues needed to provide the municipal services expected by residents (Itv.).

The Newfoundland and Labrador Federation of Municipalities (NLFM) has called for local government to play a role in economic development, but as a speaker to the Federation's annual convention recognized in 1987, legislation governing municipalities would have to be amended first (Warren, 1987; NLFM, 1989a:3). In addition to the limitations on local autonomy outlined in Chapter 4, Newfoundland municipalities have complained of numerous legislative or regulatory constraints on their ability to facilitate local development. The Corner Brook development office helped to promote a local tour boat operator, but could not provide financial assistance in the form of loans or grants because of provincial restrictions (Itv., City of Corner Brook, Economic Development Officer). Local government procurement can not be used to aid local business because of provincial requirements to accept the lowest tender for municipal purchases and contracts (Itv., Town of Port aux Choix, Mayor; Itv., Town of Pasadena, Mayor; Janicker, 1989). In Buchans, the Town Council spearheaded initiatives to save the community when the mine closed (discussed below), but eventually turned over economic development activities to a community development corporation which could take out shares in businesses (Itv., Canning). The Town of Gander has also complained of not being able to take part in joint ventures with private firms because of provincial restrictions on municipal share ownership. It has also found the prohibition on municipalities taking out bonds to finance projects as a limitation on development initiatives (Itv., Town of Gander, Economic Development Officer).

Such limitations are no doubt a major reason why local government has been so seldom considered a potential agent of development activity in Newfoundland. While the House Royal Commission noted the effective economic development role of local government in the Shetland and Orkney Islands and in Iceland (Newfoundland. Royal Commission, 1986:442), it leaned towards the Development

Associations as the primary agent of local development for Newfoundland. Yet, we have seen that the institutional weaknesses of the Associations are much more debilitating than those of municipal government. Development Association leaders themselves acknowledge that the Associations have been 'dismal failures' in trying to generate long term development, and it was this record that inspired the formation of alternative organisations such as the Great Northern Peninsula Development Corporation (GNPDC) and the Buchans Development Corporation (Ivany, 1989; Itv., GNPDC, Chairman; Sinclair and Felt, 1990:7-8).

The umbrella Newfoundland and Labrador Rural Development Council (NLRDC) commissioned a study of the Development Associations in 1990 to determine how to change their negative image as make work bodies designed to qualify people for unemployment insurance. The Council has highlighted the success of some of its members and discussed the need for guide-lines to be placed on the member associations, to ensure that where they 'have not performed appropriately...they will be more accountable' (Town of Pasadena, Venture Visions, 1, no.5 (Dec.1990):2). It is ironic that organisations supposed to typify grass roots participation are being made accountable to their provincial association, not to their local members. The more they attempt to improve their effectiveness, the more the Development Associations resemble a branch of the provincial bureaucracy - local accountability and democracy are lost in the process.

The House Commission also called for increased government recognition and support for co-operatives (Newfoundland. Royal Commission, 1986:388-89), but as identified in Chapter 2, the cultural and economic forces necessary for successful co-operative enterprises can not be induced by government policy. Where they exist, and where local residents express a desire to form a co-operative, government support can facilitate their efforts, but as explained by the Newfoundland and Labrador Federation of Co-operatives (NLFC) development worker, co-ops are 'fiercely independent'(Itv.). Consequently, co-operative members limit their activities to trying to make their own enterprise a success:

they are not a development agency (Itv., Canning). Despite MacLeod's and Simm's efforts, members of the GNPDC see the Mondragon experience as exceptional, with little relation to their context (Itv., GNPDC, Chairman; Itv., SBDA, President). With fewer than 20 workers' or producers' co-ops, moreover, Newfoundland has a smaller percentage of its population as co-op members than any province in Canada, hardly a promising base on which to build (Itv., NLFC, Co-operative Development Specialist).

Relying on traditional small and medium sized businesses to work together on their community's behalf is even less promising. Many larger communities have Chambers of Commerce or Boards of Trade consisting of local business people, but these are usually described as 'talking shops'. In Corner Brook and Gander, the Chambers operate the local tourist information chalet, but no effort has been conceived to foster inter-firm networks or establish joint-service facilities, or even work on attracting mobile capital (Itv., City of Corner Brook, Mayor (and Chairman of Greater Humber Community Futures Committee); Itv., Town of Lewisporte, Mayor; Itv., Town of Gander, Director of Development; Batchilder, 1989a). The social relations of business people are helpful in generating new ideas and co-operative approaches, but without formalised, institutional support, it is unlikely that many will come to fruition, as the current economic underdevelopment of Newfoundland attests. There are no guarantees, moreover, of the accountability of business associations and their responsiveness to the social needs and aspirations of the community as a whole.

For all its limitations, then, municipal government increasingly sees a role for itself in fostering local economic development. As will be seen below, several Newfoundland communities have already had some success in this regard, albeit with little articulated strategy. An analysis of the development initiatives of the other local development institutional forms, as well as local government, can help point to what strategies are most likely to succeed in establishing economically sustainable activity, and what institutional characteristics are likely to impede or

facilitate them. By contrasting these with the North Norwegian experience, a firmer grip can be attained on the causal forces at work in both contexts.

5.2.2 Norwegian Kommunes: A History of Economic Development Activity

As has been seen, Norwegian kommunes suffer few of the legislative or regulatory limitations placed on their Newfoundland counterparts. As kommune jurisdiction is defined negatively, they may enter any sphere not explicitly limited to another level of government. Economic development activities were thus a natural extension of responsibility for peripheral kommunes with limited employment prospects. National fisheries policy in fact encouraged kommune involvement in financing local fishing trawlers from the earliest years of fishery management (Aarsaether, 1978:5-6; McKenzie, 1981:193-95). Most kommune development strategies since have been in response to policy frameworks established by the national level, from vying for relocating corporations supported by the Regional Development Fund in the 1950s and 1960s, to working with local small and medium sized business 'grunders' in the 1980s (Bukve, 1986:238-39,256-57; Larsen, 1982:3-6).

An exception to this tendency were the 'kommunalist' initiatives of the 1970s. Aarsaether has examined how kommunes were share-holding partners in businesses, or operated economic enterprises themselves, often without the blessing of the national government. He described a continuum of kommune interventionism, ranging from relatively hands-off activities such as advice and planning, industrial site purchase and preparation, and loan guarantees, to more advanced involvement like grants and interest-free loans, firm bail-outs, advanced factory building and share holding (1978a; 1978b, cited in McKenzie, 1981:426-33). All these activities, including incentives to mobile capital, continue to be used in varying combinations by different kommunes, almost always with national funds. The same can be said for the development activities of the range of local state forms in Newfoundland. The primary difference is that the kommune is the dominant political, social and economic development body on the local level in

Norway. Business and labour associations tend to be integrated into the national sectoral system, leaving the kommunes as the primary territorial decision maker. Where participatory, grass roots development initiatives have been attempted, as in an action research project led by Almas, those efforts which excluded the kommune administration and politicians had far less success than those that did (1986).

Before considering the more market-oriented development strategies in both regions, the significance of the public sector must be accounted for. As discussed in Chapters 3 and 4, it was the expansion of the welfare state in the 1970s in Norway, and its implementation through the kommune level, which stabilised rural out-migration for a decade. Kommune governments were not passive in this process, and their 'public acquisition' strategies continue to be tried even during the contemporary period of relative fiscal constraint. Newfoundland municipalities have never been granted the responsibilities to attract much public investment within their own jurisdiction, but they, and the other economic development actors on the local level, have lobbied for federal and provincial facilities to locate within their boundaries. Not only do such public expenditures provide direct jobs within the locality, but the improvements in the quality of life that come with improved services can help retain and attract residents. Whether this is sufficient to create economically viable communities is less certain.

5.2.3 The Public Sector, Economic Development and Quality of Life

The House Royal Commission observed that employment prospects in Newfoundland service industries were much better than in resources, manufacturing and construction. As a large proportion of service employment in Newfoundland is in the public sector, the Commission recommended that the provincial government should decentralize services and facilities wherever possible. As most service sector growth has been dependent on federal transfers, however, fiscal restraint was recognized as limiting further growth

(Newfoundland. Royal Commission, 1986), and this has been reflected in the recent round of provincial cut-backs. Hospital closures are leading to increased centralisation, reducing employment and eroding services in peripheral communities. Dependence on public-sector employment within the contemporary Canadian political economy would seem to be more a strategy for reinforcing regional disparities than for overcoming them.

Before the current retrenchment, nonetheless, some Newfoundland communities were successful in attracting provincial and federal spending. In the 1960s and 1970s, the Gander Town Council compensated for reduced air traffic - as new jet aircraft did not require refuelling stops for transatlantic flights - by lobbying to establish the town as a regional administrative and service centre. The federal government chose Gander as the site for a regional Canada Employment Centre and the province established a new regional hospital there. Combined with efforts to cater to East European air traffic, the Gander economy emerged stronger than ever, albeit dependent on continued government spending (Thompson, 1987). In Deer Lake, the airport town in the Humber Valley on the province's west coast, the council organised a similar campaign to prevent the closure of the airport. The federal government has since invested in a new terminal, increasing the number of flights - and jobs (Itv., Town of Deer Lake, Mayor).

Success in such efforts is an explicitly political achievement, and no community epitomizes this process more clearly than Salangen in Troms Fylke. As outlined in Section 3.6., Salangen is one of few kommunes in North Norway to have reversed its population decline, and much of the credit is given to its mayor from 1966 to 1984, Per Tonder. Reiersen has actually described his efforts as the 'Tonder model', typifying leadership by innovative local politicians in leading development initiatives. Tonder used his many political and administrative positions to full advantage in attracting public and private sector investment to Salangen during the period of Norwegian expansion in peripheral regions in the 1970s (Reiersen, 1984; Itv., Reiersen).

As a member of the Norwegian Labour Party, with contacts in Oslo because his father had been a member of the Storting, Tonder learned of policy changes in time to develop appropriate proposals before anyone else. When he learned of a national plan to establish cultural centres in six kommunes - not including Salangen - he applied for a combined cultural centre and school, as a pilot project. He also knew that a regional high school was being planned, and once he succeeded in having the pilot project approved he used his position as Chairman of the Troms Fylke School Council to have the dual-purpose facility converted into the high school, bringing fifty jobs to Salangen. As a parish minister, he gained the trust of a Christian nursing organisation to locate their planned rheumatism convalescent home in Salangen, instead of Lavangen, offering them a serviced building site in the kommune centre (1). When insufficient funds were raised, he used his Labour Party contacts to have the establishment of such a home specified in the Second North Norway Plan as a priority. With the home mentioned in the Plan, Tonder had no difficulty in gaining the necessary funds from the national government. The centre brought fifteen jobs to Salangen, most of them for women (ibid.).

The Planning Chief for Troms Fylke maintains that the economic success of Salangen is 'undoubtedly because of Tonder's efforts'. Not only *did he use his* contacts and positions of influence to full advantage, but as a vicar he was a great speaker and had great force of personality. He was also clever, knew policy as well as anyone and was extremely persistent (Itv.). The obvious danger of such charismatic leadership is that when the individual leaves or retires, further achievements cease. Indeed, when Tonder spoke of Salangen, he often referred to it as 'I' (Itv., Institute of Social Science, Project Leader).

In the case of Salangen, however, the momentum, in both leadership and as a regional centre, has continued. The current mayor, Hakon Bendiktsen, learned his

1 This was the final straw which led to Lavangen demanding to be a separate kommune from Salangen, granted by the Storting in 1977, to Tonder's surprise (Itv. Reiersen).

trade from Tonder, and succeeded in forcing the reluctant septuagenarian leader from power against his will in a rare mid-term contest for Ordfurer (Itv., Troms Fylke, Planning Chief). In 1990, in a period of fiscal restraint, Bendiktsen was successful in having the national refugee centre for North Norway, funded by earmarked grant, located in Salangen, creating some twenty new jobs (Itv., Salangen Kommune, Mayor). It would seem that the Tonder model is transferable, at least within the same kommune.

The downside of such a development approach, acknowledged by Reiersen, is that not all kommunes can be winners in the competition for finite - and diminishing - public expenditure (1984:14). While Salangen's population continues to grow, its four neighbouring kommunes, including Lavangen, have declining populations (Salangen Kommune, Internal Statistics). At least in the case of Salangen, as will be discussed below, the neighbouring population is close enough to commute to the jobs created. In many cases though, the losers in the competition for public expenditure are far removed from the winners.

In Newfoundland, the Buchans Town Council spearheaded a community campaign to find alternate industries to replace the mine, slated for closure. An area development strategy identified the need for a 'core industry', and the Buchans Development Corporation, formed to manage the assets turned over to the community by the mining company - warehouses, office space, equipment - focused on a planned federal penitentiary. After detailed research on the community's advantages and intensive political lobbying, Buchans lost out to a community on the Avalon Peninsula where a member of the federal PCs, the party in power, was deemed to need increased electoral support for the upcoming election (Buchans Development Corporation, n.d.:6-7; Itv., Buchans Development Corporation, Marketing Director and Executive Director). Reliance on the political largesse of higher levels of government can result in just as much economic vulnerability as relying on mobile capital, perhaps with even greater unpredictability.

Increasing public-sector employment is nevertheless an attractive goal for local decision makers, particularly as it usually creates jobs for women, the most difficult group to employ in resource-based peripheral regions. This was an explicit objective of Tonder's, and in the 1970s, employment of women increased by 300 percent in Salangen (Salangen Kommune, Internal Statistics). The Community Committee in Sommaroy, the fishing community within Tromso Kommune, has also identified service sector jobs for women as a necessary goal to keep them from migrating. For those who continue their education beyond the highschool level, the jobs in the fish plants are far from desirable. In 1989, the Committee was working on plans to establish a community centre for senior citizens, health care and day care for children, to create more attractive jobs. It was also lobbying for a planned national fisheries monitoring centre, using a former resident of Sommaroy working in the Fisheries Ministry as a contact, to create some office jobs in the community (Marciniak, 1988:22-24; Itv., Sommaroy Community Committee, Chairman).

Not only do increased or improved public services create direct jobs in peripheral communities, but they are seen to improve the quality of life there, encouraging residents to stay and enticing others to move in. Tonder, and Bendiktsen after him, emphasized the need to 'develop all sides of the community' with an integrated approach to development. According to the latter, the community must be made a good place to live in, with lots of services, and a good place to work in, with lots of jobs - 'it must be a good home' (Itv., Salangen Kommune, Mayor). As described by Reiersen, these municipal politicians do not think in sectors; they are 'society entrepreneurs' (Itv.).

An integrated development strategy was one of the guiding principles of the House Royal Commission recommendations (Newfoundland. Royal Commission, 1986:34-35), but it did not appreciate the importance of the local state in implementing such a strategy on the local level. The GNPDC, led by the Senior Researcher for

the Commission, David Simms, has had numerous innovative ideas in this regard, but has been hampered by its dependence on higher levels of government and its lack of local legitimacy. The GNPDC applied to ACOA for funds to construct a facility to house Community College students in St. Anthony, that would also serve as accommodation for tourists in the summer. The proposal was turned down by the federal funding agency, however, which was only interested in the tourism component (Itv., GNPDC, Chairman; GNPDC, Newsletter, 2, no.1 (May 1988), 2, and 2, no.2 (Jan. 1989),8; Felt and Sinclair, 1989:19). While ACOA was clearly at fault for failing to support an integrated strategy, this is typical of any senior governmental, segmented bureaucracy where functional divisions take precedence over territorial requirements. It is the local state which is most cognizant of the territorial ramifications of such segmentation, and has the political legitimacy and some degree of jurisdictional authority to oppose it. Yet, the GNPDC failed to discuss the plan with the St. Anthony Town Council or administration (Itv., Town of St. Anthony, Mayor).

Because of their relative weakness (compared to local governments elsewhere) few Newfoundland municipalities generate their own integrated strategies, but their political and administrative competence is still superior to any voluntary organisation. The Town of Pasadena is one Newfoundland example of a small community with its own development plan, specifying the need to balance business development with service provision and residential needs (Pasadena Economic Development Committee, n.d.). The potential of a strong local state to implement innovative, integrated strategies in a peripheral community is most clearly demonstrated in Vega. As a Free Kommune, Vega is able to overcome the sectoral divisions between branches of national departments on the local level, as will be discussed below. It has combined this administrative competence with political leadership committed to any means to preserve the community.

Education and culture have been two active areas of kommune activity in Vega. Indeed, in 1989 the kommune won a national award for its work with young people,

the first time it had been presented to a local government body. Kommune mayor, Osvall Floa, explained that peripheral kommunes have always seen young people as a problem, as they were unable to educate them properly or provide them with jobs. When he was a child, he had always heard: 'get your education and go away; this is no place to live'. Now, he noted, we are seeing young people as a resource, that must be exploited to save the community: 'we are trying to teach them to be proud of their home community...that it can be a valuable life to stay...that this is a special place - that this is a place no one else has' (Itv.).

The kommune has published a book listing various careers that could be pursued in Vega, and how to get the training as close to the island as possible to qualify for them. A copy is provided to every student as they enter high school. A problem at that level encountered in most small kommunes, is that high school students must travel outside the kommune to attend school. In Vega, that has always meant students had to travel by ferry to Bronnoysund where they boarded during the week, returning home on the weekends. This reduced community activities greatly, Floa explained, and accustomed young people to living away from home.

Consistent with the 'Tonder model', Floa has used his Labour Party contacts, Vega residents in positions of power in Oslo, and membership in fylke organisations, to gain improved ferry services for the island. In 1977, the kommune succeeded in having the ferry terminals changed to reduce the crossing time from an hour and forty-five minutes to forty minutes. Then they lobbied for a 'fast boat', which carries passengers only, to travel from Vega to the centre of Bronnoysund in thirty-five minutes (see Figure 9). This was established in 1980, enabling high school students to commute daily. Now they are fighting for a new 'super-fast boat', combining hovercraft and catamaran technology, which would reduce the travel time to twenty minutes to the regional centre (ibid.). As will be seen, these transportation links are also crucial to the kommune's job creation strategies.

Floa does not see this increased integration into the South Helgeland region, based on Bronnoysund as the regional centre, as diminishing Vega's chances for survival as a community. On the contrary, he sees it enabling residents to have the benefits of access to the services of a regional centre, while maintaining their homes in Vega with the advantages that conveys. One of these advantages is simply the sense of community and tradition the kommune enjoys. Not content to rely on traditional sentiments, however, the kommune has sponsored projects to increase community pride. An archaeological find on the island of a 9,000 year-old settlement, one of the earliest in Norway, has been seized upon by Floa to convince residents of the 'uniqueness of their home'. The kommune sponsored a book on the site and developed a walking trail, both of which can be used for tourism, but more important: 'the point is, we are digging out of history every thing that can build up this pride of their birthplace, to strengthen their wish to get an occupation and earn their living in this historical place' (ibid.).

Vega has also built on its participation in the Free Kommune experiment to introduce other innovative programmes to the island. Once again using contacts in Oslo, Floa learned of a national plan to fund art schools on the regional level, just as has been done with classical music instruction for years in Norway. A kommune delegation travelled to Oslo and succeeded in having a school located on Vega, employing five working artists, who teach there and in nearby kommunes. This led to a further initiative to locate a travelling art exhibit for Northern Norway, sponsored by the Gallery of Modern Art in Oslo. This employs an additional three artists on Vega. As explained by the kommune's economic development officer, this improves the cultural environment and quality of life on Vega, increasing the attachment of children and their parents to the island (Itv., 4 June 1990).

In peripheral communities in Newfoundland, little attention has been directed towards improving the cultural awareness or sense of identity of residents, and getting an education is still equated with moving away from home. The GNPDC sponsored the publication of a booklet on the history of Basque fishermen on the

Northern Peninsula, but with joint funding from ACOA, it was seen strictly as a tourism promotion tool (Northern Pen, 14 June 1989). While Vega (and, as will be seen, Sommaroy and Lyngen) attempt to improve transportation links to regional centres to enable residents to commute rather than move, the Newfoundland Community Futures Committees offer relocation assistance to enable people to move to where there are jobs. While most of the appointed committees do not like the idea of funding out-migration, the co-ordinator of the Buchans Region Committee maintained that out-migration was preferable to allowing people 'to languish here without work' (Itv., 26 April 1991).

In the end, the improvements to the quality of life generated by public-sector services and facilities, whether health care, education, transportation or more aesthetic realms of activity, can only supplement the more fundamental requirement of employment creation. The public sector, at least as traditionally conceived, is no longer delivering the goods for most, if not all, peripheral communities. There can only be so many Salangens, and as seen in Section 3.6., Vega has yet to reverse the tide of out-migration, despite its innovative policies. There are other components to the quality of life in peripheral regions, though, that preceded the expansion of public-sector services. A consideration of these may qualify what market driven economic development is considered appropriate for peripheral regions.

5.2.4 The Informal Economy and Seasonality: Settling for Economic Stagnation?

Where the informal economy and self-provisioning remain strong, it can be argued, what constitutes viable employment is not the same as in regions where cash income must be relied upon exclusively, and economic strategies should be tailored appropriately (Chris Palmer, Personal Correspondence, 28 December 1988). As seen in Section 3.7., the quality of life in peripheral regions is not as closely connected to formal employment as it is in urban areas. However, as employment levels in resource industries decline, and transfer payments and public-sector

employment come under pressure, the informal economy is increasingly insufficient to maintain peripheral populations, as witnessed by continued out-migration. Not only does informal economic activity require cash inputs, but for young people who finish their education and who want to pursue a career that involves more than seasonal employment supplemented by transfer payments, subsistence is not enough.

Yet, many Newfoundlanders and North Norwegians still maintain a commitment to rural lifestyles, with easy access to the countryside. Subsistence production and household provisioning continue to contribute to economic well-being, and constitute an essential component of what is considered a valuable lifestyle. Home ownership is recognized by local government officials in both regions as a strength that peripheral regions must take advantage of. Per Tonder approached every school teacher or other professional who moved to Salangen to work in one of the public-sector jobs created, to encourage them to purchase or build a house. He informed them of available sites and ensured that kommune planning permission for construction was granted. Once they owned a home in the community, he reasoned, they were less likely to move away (Itv., Institute of Social Sciences, Project Leader). The kommunes of South Helgeland, including Vega, include inexpensive housing as one of the attractions of the region in promotional materials ('Welcome to South Helgeland', Promotional Brochure). The Town of St. Anthony on the Northern Peninsula of Newfoundland has successfully lobbied the provincial government to construct new access roads to enable residents to cut lumber for house construction and firewood (Itv., Mayor).

Local government officials in both regions also insist that economic development must not be at the expense of the environment or lifestyle of the community. The Chairman of the Community Committee in Sommaroy rejected any form of development which would threaten the environment (Itv.), while the Mayor of Troms Fylke maintains that as environmental problems increase in more industrialised regions, North Norway will become a more attractive home for

natives and new residents (Itv.). The mayors of two regional centres in Newfoundland insisted that their efforts to improve employment levels in their communities should not be confused with trying to become large urban centres - they 'do not want to be St. John's!' Growth was not to be sacrificed to their way of life, with easy access to fishing and boating, while maintaining good public services: 'the best of both worlds' (Itv., City of Corner Brook, Mayor (and Chairman, Greater Humber Community Futures Committee); Itv., Town of Lewisporte, Mayor).

How then to create economically sustainable employment located in peripheral regions where many residents would prefer to live? One industry which has been identified throughout each region as being compatible with existing seasonal employment and occupational pluralism, while depending on environmental attributes, is tourism. Without exception, North Norwegian kommunes and Newfoundland municipalities, Development Associations and Community Futures Committees, consider tourism the growth industry of the 1990s, offering job creation for the most remote areas - largely because of their remoteness - and bringing new money - the equivalent of exports - into the local economy.

As discussed in Section 2.4.3., however, tourism does not act as a propulsive industry which drives linkages in the same way as the production of tradables. As with most service industries, moreover, tourism generally offers low-paying jobs, which may continue to fuel the informal economy for those with low education levels and poor employment prospects elsewhere, but is not likely to stem the out-flow of young people who want more than subsistence. It also presents the commodification of lifestyle in peripheral regions, turning tradition into advertising jingles and creating all the artificiality that peripheral regions have been able to avoid, largely because of their economic underdevelopment. Better artificiality than unemployment, but is that the only choice for local development strategies?

While eager to take advantage of their tourism potential, most local bodies concerned with economic development realize that something more is required. The President of one Northern Peninsula development association argued that for every dollar taken in on tourism, the provincial and federal governments spent three. He maintained that tourism generated few multipliers or spin-offs, (Itv., SBDA, President), while a councillor from Rocky Harbour noted that the presence of the national park made tourism 'a big thing' for his town, but he added: 'I can't say we get a lot of benefit from it' (Itv.). The mayor of Troms Fylke argued that North Norway must produce more things for export, or else 'I'm afraid many of the well-educated people will move away, finding more interesting jobs and so on, in other places' (Itv.). Ole Hamnvik, the Technical Director for the Norwegian branch of a Finnish multinational, noted that of some twenty-five graduates in his engineering class, only two stayed in North Norway (Itv., Uponor A/S, Technical Director).

Hamnvik added, though, that he stayed to manage the plant his family had established in Furuflaten because 'it is not only the job, it's the way you feel; I could have splendid jobs in the Uponor group if I wanted, but I feel well staying in Furuflaten; why should I leave then?' (ibid.). The same applies to Olav Foshaug, who moved back to Salangen from the south to run a plastic fish tub manufacturing plant. When the company, Dynoplast A/S, a Norwegian multinational, asked him to move back to Oslo, he resigned rather than give up what is to him a preferable way of life. He is now working on several development projects with the Kommune (discussed below), in addition to consulting for Dynoplast (Itv.).

The fact that Hamnvik and Foshaug were in a position to choose to combine their technically demanding - and well paid - export oriented careers, with living in North Norway, is indicative that such economic activity does exist there. Indeed, rural Newfoundland and North Norway have numerous enterprises producing varying degrees of value-added goods for local markets and for export. The

emphasis on production does not preclude consideration of locally-based service industries, which Section 2.4.7. demonstrated are crucial to regional development. Not all such enterprises develop local linkages, however, and it is services linked to production which contribute to the creation of competitive advantage and rooted development. Local development agencies have played differing roles in facilitating these activities, although none have articulated explicit strategies to create regional production systems of inter-linked firms. Indeed, the most common strategy is to offer incentives to mobile capital - the 'private acquisition strategy'. For communities striving to create employment based on a propulsive industry, this is the fast track to development. As will be seen, such transplants seldom set deep roots.

5.2.5 Incentives to Attract Mobile Capital: Buying Economic Development?

5.2.5.1 Northern Norway

The centralization and modernization strategies that typified the two decades following world war two in Canada and Norway included the introduction of national programmes to encourage firms to establish or expand their operations in designated centres in peripheral regions. As mentioned above, North Norwegian kommunes had offered loan guarantees and low interest loans to local firms and individuals, particularly in the fishery, for years prior to this. As Larsen has described, this kind of local intervention has continued as a largely passive form of kommune involvement, with few applications refused. If firms came into difficulty, the kommune could always depend on the national government to bail them out - that is, until recently (1982:16-17). In the face of the current fishery crisis, one North Norway fishing community of one thousand inhabitants lost over four million NKr, and the national administration in Troms has refused to assist them. The new local government act being drafted in 1989 was expected to remove the requirement for the Fylkesman's office to approve kommune loans and guarantees, but with little likelihood of national help if loans go bad, kommunes will no doubt be more careful with their own funds (Itv., Troms National Administration, Economic Consultant).

The 'big money' for business assistance, though, comes under the national Regional Development Fund, administered by the fylkes (Nordland Fylke, Free Kommune Project Leader). Introduced under the North Norway Plan in 1952, and expanded to cover the entire country in 1961, the availability of national funds for business led to a competition among kommunes to win funding for firms already operating, or wanting to establish, in their area. Kommune advertising, involvement in trade shows, and, as will be seen, hiring economic development staff, were all used to gain the advantage in a zero-sum battle for funding. In the 1970s, the stakes were raised even higher, as the national government introduced grants for industrial infrastructure within kommunes and provided transportation subsidies for firms producing in peripheral regions (Bukve, 1986:243-44).

Not surprisingly, Salangen was one of the winners in the race to attract outside investment. As explained by Reiersen, the benefits of national regional development funds are largely dependent on their application by local actors. Just as in public-sector acquisition strategies, Per Tonder used 'combination solutions' to put development funds to use. In 1971, using Regional Development Fund support, Tonder established a serviced industrial site in the kommune. He then lobbied for additional funds to enable a furniture manufacturer from southern Norway to move to the site. By 1976, the company was bankrupt, and Tonder scrambled to attract yet more support for another company to take over, saving fifteen jobs. It was a similar story with another southern company attracted to the kommune with Regional Development Funds to assemble bus bodies for regional transportation companies. None of the regional companies would buy from the new venture because of their high costs, and it also went under before long. After various restructuring efforts, Tonder used his position as Chairman of the Troms Fylke transportation company to purchase some of the company's buses, and after further financial difficulties were encountered he arranged for the transportation company to take over the assembly firm, using additional funds from the national government, and saving twenty-five jobs in Salangen (Reiersen, 1984:6-8).

Perhaps the best example of the local adaptation of national programmes was Tonder's use of SIVA, a national agency inspired by the British Industrial Estates. Originally introduced as part of the 1960s centralization and concentration policies, the estates were intended to employ one to two thousand workers in designated regional centres. As the Labour Party reeled from its EEC defeat in the 1970s, efforts to establish growth poles gave way to decentralisation to the kommune level. SIVA estates, especially in North Norway, soon dropped to below 100 workers, and Salangen managed to get one with twenty-five industrial employees (Aarsaether, Larsen and Reiersen, 1979:103-4).

With a fifty percent grant of the cost of buildings and infrastructure from SIVA (Itv., Salangen Kommune, Mayor), Tonder approached a company called Cipax near Oslo, which was a manufacturer of moulded plastic products. He convinced them of the potential of producing plastic fish tubs using their moulding technology, and offered to have a factory constructed to their specifications. Further loans and grants were attained from the Regional Development Fund for capital investment and development work. This is the operation Olav Foshaug returned to Salangen to run, which in 1978 became Dynoplast A/S Cipax Nord, with the merger of the Norwegian company with Dyno Industries (Itv., Dynoplast, Foshaug).

The Salangen plant, as will be discussed below, has established some linkages with the local economy and has conducted research and development work, but at a continuing price to the kommune and national governments. It has captured some 80 percent of the Irish fish tub market and 75 percent of Norway's, but the national system of transportation subsidies, according to Foshaug, has been vital to this success. In 1989, as part of the Norwegian government's over-arching fiscal restraint, the subsidies were being cut back, and the current Salangen mayor, Bendiktsen, has had to lobby on the fylke and national levels to arrange repayment of Dynoplast's transportation costs. He has also had to arrange cheaper electricity rates for the company and lobby SIVA for a new repayment scheme for an

additional building that was constructed. These efforts are in addition to continuing grants and loans to the company, which always threatens closure of the plant as the only alternative (ibid.; Itv., Salangen Kommune, Mayor).

Salangen has nevertheless attained a reputation as a kommune that 'makes things happen'. If a company or an individual has a good idea, but no money, they know they can take it to the Salangen mayor and he will work with fylke and national authorities on their behalf (Itv., Salangen Kommune, Opposition Leader). The result, when combined with the kommune's success in attracting public-sector investment, is that it is one of very few kommunes in North Norway with an increasing population.

The same cannot be said for Vega, despite similar success in recent years in attracting national development funds. In less than three years up to 1989, Vega received some nine million NKr from a range of national programmes, including funds that came with the Free Kommune experiment and a regional package compensating South Helgeland communities for the failure of off-shore oil development in the area, in addition to the Regional Development Fund (Itv., Vega Kommune, Mayor; Vega Kommune, Internal Economic Development Report). Salangen has been active in this regard longer than Vega, nonetheless, so it may be just a matter of time before the latter reaps some positive results.

Vega's economic development officer, Eric Svendsen, is not so sure. He suggests that all the additional funds may not be conducive to long-term development. With development funds come applications from businesses and pressure on local politicians for support. Time is spent processing applications, not working on long-term strategy. Svendsen contends that the kommune should not be a bank, providing loans and grants, but should work to develop a structure of facilities, contacts and expertise that will benefit businesses long after short-term funding has run out. Because most national development funds are provided on a project basis (the Regional Development Fund), or through lump-sum programmes which

change from year to year, the kommune has no choice but to operate on a short-term basis in most of its development work (Itv., 5 June 1989).

With increasing national fiscal restraint, even short-term funding may not be as readily available as it has in the past. As lender of last resort, the Regional Development Fund is the first to lose if a business fails. The fylke authorities who administer the fund are under pressure from the national government to reduce such losses, so criteria are being tightened. This will mean fewer projects will be deemed economically viable, so Salangen and Vega will have less leverage in their short-term economic development efforts, and there is no indication that any long-term support will be forthcoming (Itv., Nordland Fylke, First Consultant). Combined with the failure of the regional North Norway Bank (Sparebanken Nord Norge) during the fishery crisis (2), firms wishing to expand or locate in North Norway will have little external capital to draw on (Itv., Troms Fylke, Planning Chief; Itv., Aarsaether). As one fylke official noted, such capital shortages only increase North Norway's vulnerability to large firms with the capital to invest, but which export profits from the region, along with unprocessed resources. How to root these companies in the region, and increase their fiscal and production linkages, was the prime question he saw remaining to be answered (Itv., Nordland Fylke, Fylke Geologist).)

The experience of Furuflaten, in Lyngen Kommune, differs significantly from that of Salangen and Vega, and offers another perspective on external control and the role of the Regional Development Fund. Lyngen is the first kommune in North Troms, the area devastated by the retreating Nazi forces, which extends to Finnmark. During the period of post-war reconstruction, special allowances were instituted for this region, and the Regional Development Fund provides for higher grant levels for firms there. Some local politicians further south begrudge Lyngen its preferential status, arguing that the historical conditions no longer apply. They

2 Mismanagement of investments in the Oslo property market has been identified as another contributing factor to the bank's demise.

maintain that Lyngen benefits from its close proximity to Tromso, and that grant levels should be based on local, not regional, criteria (Itv., Salangen Kommune, Opposition Leader and member of Troms Fylke Council).

There is little doubt that Lyngen has benefited from being the southernmost kommune that qualifies for the additional assistance, but this has had little to do with the kommune council or administration. As will be discussed below, Lyngen has not had the type of political leadership enjoyed by Salangen and Vega, and Troms Fylke officials suggest that it could have made better use of its position as the start of North Troms (Itv., Planning Chief). What Lyngen has had is the unique economic phenomenon of Furuflaten, the community of 350 people with some 120 industrial jobs. The evolution there of several locally-owned and controlled firms will be delineated below. What is pertinent here is that these firms have dealt directly with the fylke officials who administer the Regional Development Fund, and consider the support provided as essential to their success.

Ole Hamnvik explained that the lack of local capital in Northern Norway, including little support from regional banks, would have prevented the growth of his family's plastic pipe manufacturing company. Since the firm was established in the 1960s, support in the form of loans and grants from the Regional Development Fund has been crucial to their expansion: 'for us here I think that it would have been impossible to raise an industry on this level here in Furuflaten, without that help'. One new production line recently entailed a 1.5 million NKr investment, and they have seven production lines. The additional 5 percent of project cost available as grants to firms in North Troms is a significant difference when such amounts are considered, according to Hamnvik (Itv., Uponor A/S, Technical Director).

Another plastic manufacturer recently established in Lyngen, outside Furuflaten, explicitly because it was the closest kommune to Tromso that qualified for the additional Regional Development Fund assistance. Lyngen Plastfabrikk

manufactures environmentally safe fuel storage tanks. As will be seen, its owner has been elected to the kommune council and is starting to interest it in the plastic industry in Lyngen (Itv., Lyngen Plastfabrikk, Director). How this involvement will effect the firm's relationship with fylke officials remains to be seen. They have expressed a preference for dealing directly with business people, rather than with kommune mayors. As seen in the case of Salangen, Tonder's lead role helped his kommune, but saw the Regional Development Fund repeatedly bailing out failed businesses, which the mayor then revived in some form or other (Itv., Troms Fylke, Planning Chief). For fylke officials, it is easier to enforce criteria of economic viability on business people on the firm level, than it is to confront local politicians defending the local economy and the social implications of business closure.

A final point that emerges from the Lyngen case is the potential benefits of external control where economic viability is the sole criterion for business survival. The firm started by Hamnvik and his father and brother in the 1960s was bought out by Uponor, the Finnish multinational, in 1983. Hamnvik was retained as Technical Director for the company's Norwegian operations, which include another factory near Oslo. He maintains that most of the profits from the Furuflaten factory stay in Norway, which the Norwegian management - of which he is the second most senior - decide on re-investment. Uponor could always close the Furuflaten factory, he concedes, but with Norway's efforts to move towards EC membership, inclusion within a multinational improves their chances of survival. The importance of regional markets and the benefits Uponor brings to the other - locally owned - firms in Furuflaten (dealt with below) will help evaluate this assertion (Itv., Uponor A/S, Technical Director; Uponor, Annual Report:5).

Roger Hansen, the owner of Lyngen Plastfabrikk, also sees the possibility of EC membership as increasing the need for integration within a larger firm, which he hopes would not require closing the Lyngen factory (Itv.). The potential of inter-firm networks providing the advantages of large firms while retaining local control

has clearly not reached Lyngen. In the Norwegian context, a final qualification was added by one fylke development officer, who noted that foreign control was, at least, preferable to branches of firms owned in southern Norway. Under the strict conditions exacted by the Norwegian government on foreign investors, any firm with over fifty percent external control must establish a Norwegian-based company (as in the Uponor case), and meet stringent conditions on taxation, allocation of profits and composition of the board of directors. No such controls applied to Norwegian companies setting up branches in the north (Itv., Centre of Business Development, General Manager).

5.2.5.2 Newfoundland

For the reasons noted in section 5.2.1., Newfoundland municipalities have never had the explicit economic development role taken on by Norwegian kommunes. National and provincial regional development programmes have seldom acknowledged their existence, and even innovative approaches such as the House Royal Commission, have downplayed the potential of the local state in economic development. This has not prevented municipalities from using what limited leverage they have to try to attract in mobile capital.

Several mayors in the Newfoundland cases studied reported lobbying the provincial government to cut through red tape to enable new businesses to establish in their communities. Lowering or removing the limited property and business taxes municipalities can levy is an incentive often used when competing with other towns for relocating firms. One mayor even spoke of 'industrial espionage' to determine if their community was in the top three being considered by a firm before offering incentives. Smaller communities, where taxes are already low, often see little they can do to generate new business activity. One means used is to offer infrastructure, such as a new water line to a fish plant, while others offer serviced land to prospective developers. For the mayor of St. Anthony, however, having a community 'at the end of the road' made incentives a waste of time - if a

firm was going to locate there, there must be a good reason for it and a reduced tax rate would have little effect (Itv., Town of Deer Lake, Mayor; Itv., Town of Gander, Mayor; Itv., Town of Port au Choix, Mayor; Itv., Town of Rocky Harbour, Councillor; Itv., Town of St. Anthony, Mayor).

The City of Corner Brook, with its own Economic Development Office, targets promotional dollars for certain sectors each year. A tax incentive programme is available to industries which will not compete with those already in existence. The City promotes its own serviced industrial park, as well as one of the provincially-controlled parks established under DREE in the 1970s (Itv., City of Corner Brook, Economic Development Officer). The Town of Lewisporte established its own industrial park in the late 1970s, which remained empty until the current mayor chose to lower the rental fee, which he hoped would be regained through business and property taxes (Itv., Town of Lewisporte, Mayor).

The Town of Gander, which also has its own Economic Development Office, offers free rent for a year in the industrial park built under DREE, and promotes the airport and convention facilities in the town. In 1989, the Town's Economic Development Director was successful in attracting a company operating executive jets in Texas to move into a hanger and office space abandoned by an eastern Canadian airline company which centralised its operations in Nova Scotia. Contact with the Texas company had been made at an international airport trade show, and the new company signed a forty-year lease and created fifteen new jobs (Itv., Gander Area Community Futures Committee, Chairman and Gander Mayor; Itv., Town of Gander, Director of Development).

Most incentives for relocating firms are provided by the provincial and federal governments, however, who have far more resources and which are seldom channelled through municipalities. Gander was recently on the losing end of a battle for the location of a planned turbine testing facility, owned by a Newfoundland businessman, that will create close to one hundred jobs. The

Newfoundland government was negotiating with the company when an offer by the federal government and the government of Prince Edward Island lured it to set up in an abandoned Canadian forces airbase in that province (Wangersky, 1990, 1991). Unlike Norway, where the fylkes' primary economic development tool is the national Regional Development Fund - leaving most competitions for funds and firms between the kommunes - Canadian provinces have their own development programmes to compete with. Shifting political alliances between the provinces and the federal government provide additional means for businesses to play one province off another to raise the incentives on offer, while municipalities remain essentially passive spectators.

The failure of traditional federal and provincial development policies to overcome the persistent underdevelopment of the Newfoundland economy was seen in Chapter 3. Yet, even supposedly innovative federal and provincial programmes introduced recently often continue the same approaches. The Greater Humber Community Futures Committee's Development Plan, prepared by a private consultant, recommended researching companies in central Canada which require raw materials available in the region or which produce for the Newfoundland market. Where these companies were encountering labour shortages, it suggested, they could be attracted to the Greater Humber region with its plentiful labour supply and Community Futures assistance. The Committee's Chairman sees the Community Futures training options as a means to attract firms from mainland Canada into the region, by offering to provide their workers with necessary skills (Itv., Greater Humber Community Futures Committee, Chairman; Greater Humber Community Futures Committee, 1988:22,36).

The Newfoundland Economic Recovery Commission, recently established with a mandate to co-ordinate long-term regional economic development for the province, is still in its formative stages. Yet, one of its earliest initiatives was to sign an agreement with none other than Dyno Industries of Norway, to establish a plastic fish tub manufacturing plant in Newfoundland. The provincial government

was offering $1.5 million in financial aid, although the company was waiting to see if the federal government could come up with even more. Without a Newfoundland equivalent of Per Tonder, however, it was likely the firm would establish its plant in St. John's. If such is the case, the Economic Recovery Commission's goal of promoting development in depressed regions of the province could hardly be considered a success. With the company's record in Salangen, moreover, it is questionable how beneficial it would be for any community, if the ongoing demand for more subsidies and financial assistance was maintained. Indeed, the company is also opening a factory in the Highlands and Islands of Scotland, no doubt to take advantage of the many incentives offered by the HIDB (NIS, Development, 14 September 1990; Norman, 1990; Itv., Dynoplast, Foshaug).

One Newfoundland municipality, nevertheless, has been able to combine federal and provincial funds while maintaining some degree of control over its development strategy. The current mayor of Pasadena maintains that the town is unable to attract outside firms because a low tax base prevents it from offering any significant incentives (Itv.). The Town's Economic Development Officer, Bill Pardy, who was mayor until he took on the new position in 1985, has a different conception of development. He has argued that offering incentives to attract large-scale manufacturing plants is becoming out-dated, as more and more manufacturing is carried out by small firms (Pardy, 1988:14). Without developing the notion of regional production systems, Pardy recognized the potential of small-firm networks. Outside firms should only be brought in if they could serve as 'role models' for local companies, and wherever possible, he suggested, joint ventures between local businesses and outside capital should be fostered (Itv., Town of Pasadena, Economic Development Officer).

The vehicle for such a development strategy, according to Pardy, were incubator malls. While still Mayor of Pasadena, Pardy researched these joint-service facilities which provide low rents for new businesses, in addition to shared secretarial assistance and business advice. Pardy's success in gaining federal

support for such a facility, despite initial provincial opposition, will be outlined below. Once established, though, the Town of Pasadena had a different form of incentive to offer mobile capital. The 'Venture Centre' opened in 1986, and after a slow start, it was full by 1988 and Pardy was applying to ACOA for additional funds to construct an annex (ibid.).

One of the initial eight firms to open in the facility was Newfoundland Polybag, a manufacturer of plastic film and bags. The owner was a Chinese investor with a similar operation in Ontario, who had been identified in a conference organized by Pardy to explore development possibilities in plastics. Eighteen full-time employees were hired year round, in addition to occasional part time staff. The operation was lauded by federal and provincial officials alike, who saw it as an example of successful secondary manufacturing in rural Newfoundland. By 1991, however, with economic recession in Canada, problems having equipment approved by the Canadian Standards Association, and union certification of Newfoundland Polybag employees, the foreign investor closed the plant and moved his equipment back to Ontario (ibid.; Pardy and Foote, 1989a; Itv., Town of Pasadena, The Venture Centre, Acting Manager).

Pardy, meanwhile, has taken a position with ACOA in Nova Scotia where he hopes to 'continue building a base in local economic development and entrepreneurship in a wider and more global domain' (Personal correspondence, 4 January 1991). Whether that is possible within a federal agency will put even someone as innovative and energetic as Pardy to the test. Without him, it is uncertain whether the Venture Centre can survive, at least under the control of the Town of Pasadena. Pardy had always contended that 'money was not a problem, if you do your homework and lobby higher levels of government' (Itv., Town of Pasadena, Economic Development Officer). In a period of fiscal restraint by both the federal and provincial governments, it is doubtful that a Pardy or a Tonder could find programme funds that a higher level of government would allow a municipality to control. The Venture Centre is now being maintained with funding from the

Economic Recovery Commission, but it is not confident how long that will last (Itv., Town of Pasadena, The Venture Centre, Acting Manager).

Community Futures Committees, of course, have the same problem, although they do not have any organisational or financial permanence. As the Greater Humber Chairman noted, his committee had a five year mandate, which could change with new policy approaches by the federal Department of Employment and Immigration. In the meantime, they would take advantage of the available funds while they lasted (Itv.). The Business Development Centres established under the programme strive to become self-sufficient before their programme funds run out, but as lenders of last resort, this is practically impossible (Gander Area Development Corporation, Annual Report:2-3,5; Felt and Sinclair, 1988).

As noted by Svendsen in Vega, the short-term nature of national funds for business development restricts the ability of local actors to implement more strategic economic strategies. At least in the Norwegian context, the Regional Development Fund has been maintained as the primary form of national assistance, enabling kommune officials - and private firms - to learn the details of the programme and to develop working relationships with programme administrators. In the Canadian context, as detailed in Chapter 3, there has been a never-ending reconstitution of regional development programmes, policies and departments. Consequently, development strategies based on attracting in outside capital in Newfoundland are likely to remain with federal and provincial agencies such as ACOA and the Economic Recovery Commission - while they exist - with little input from local government. With the economic vulnerability that such development strategies usually brings, individual communities are probably better off. If they are the recipients of federal or provincial largesse in having such an enterprise located within their boundaries, they can enjoy the jobs while they last, with what few fiscal and production linkages can be captured. For long-term development, they must continue to look elsewhere.

5.2.6 The Local State in Business

5.2.6.1 Northern Norway

The 'kommunalist' economic initiatives studied by Aarsaether in the 1970s were a direct response by kommunes to the failure of the emphasis on attracting mobile capital in the previous decade. As the North Norwegian population declined in the 1960s, with a few pockets of prosperity such as Salangen and Tromso, peripheral kommunes entered the sphere of production directly. This often took the form of bailing out local firms in trouble, but it increasingly involved deliberate decisions to enter joint ventures through kommune share purchases, or outright ownership of economic enterprises (Aaraether, 1978a:5-6).

This 'community entrepreneurialism', as it was termed by Bukve, was initially opposed by the national government, which accepted the need for kommune economic development activities, but not direct involvement in firms. With no legislative limits on such activities, and increasing administrative capacity as more public services were decentralized during the decade, many kommunes persisted in the new development option, usually using national funds. As will be seen, the national government also provided funds for kommunes to hire economic development officers to work with private firms, but once in place such trained staff improved kommunes' ability to run their own businesses. (Bukve, 1986:236-7,253-4; Larsen, 1982:).

These activities, of course, did not preclude continued efforts to attract mobile capital or to work with local firms. Indeed, Vega, which Aarsaether has described as 'the Weberian ideal type of kommune entrepreneur' (Itv.), uses share purchases to achieve both these goals. In 1989 alone, Vega Kommune spent over 4 million NKr on economic development - from the various national sources identified in Section 5.2.5.1. Twenty-five percent of this was in the form of share purchases, with a sectoral breakdown of 32.9 percent in secondary manufacturing, 23 percent

in primary industry, 16.2 percent in tourism and 15.5 percent in the service sector (Vega Kommune, Internal Economic Development Report).

A drive around Vega with Economic Development Officer, Eric Svendsen, reveals countless instances of kommune share ownership. The kommune has shares in the local restaurant and hotel; the largest grocery store rents its space from a property management company wholly owned by the kommune; one of the fish plants on the island rents from another kommune company which constructs and leases industrial buildings. The kommune owns five percent of the company renting this fish plant, which produces smoked salmon. In co-operation with its private partner, who operates a local aquaculture operation (independent from the kommune) the kommune is attempting to get a bank loan to finance a 9.4 million NKr project to produce micro-wave ready seafood products (Itv., Vega Kommune, Economic Development Officer, 4 June 1990; Itv., Vega Kommune, Mayor).

A similar project has already been financed with a French businessman to produce high quality smoked and fresh salmon for luxury markets in France, Italy and Spain. The Frenchman has the marketing contacts and intends to use computer links to tailor production to the day to day requirements of the buyers. Vega Kommune invested more than one million NKr in the project, while controlling 60 percent of the company's shares - 20 percent through direct ownership. The kommune controls 52 percent of the shares of another company jointly owned with the four other kommunes of South Helgeland. Vega Kommune invested 1.5 million NKr in the project, while the other four added another 4 million NKr between them. The firm will operate a salmon hatchery in one of the mainland kommunes, and raise the fry in Lake Floa - near the mayor's farm in Vega. From there the salmon will be released to rivers leading to the ocean and when the grown salmon return to spawn they will be harvested by the company as a natural alternative to farmed salmon (which is encountering some opposition because of chemicals used in the enclosures) (ibid.).

Mayor Floa is the driving force behind the kommune's direct involvement in so many firms, although he works closely with Svendsen and the kommune Manager - the Radmann. As the person responsible for balancing the kommune books, the latter is more cautious about the use of share purchases to generate economic activity. When you buy shares, he noted, they are based on the firm's estimated value, but before long 'the value soon sinks'. He argues that the kommune should restrict itself to grants and low-interest loans, although he accepts that everything possible must be done for the kommune to survive: 'we have to use everything we can get, [including] using money to be owners in firms' (Itv.).

Eric Svendsen has a similarly ambivalent attitude towards the kommune's business methods. He sees the kommune's property management firms as doomed to lose money, as property must be purchased when it is for sale. If the kommune does not have the available funds, it must borrow, and if interest rates are high, it will never be able to charge a high enough rent to break even. The Development Officer also blames local politicians for jumping at every opportunity to use national funds to create jobs, even if they are short term. It would be better to invest the funds in projects that are too long-term to interest the private sector, such as the salmon hatchery. Such projects are rare, he maintains, because politicians must worry about re-election in the short-term (Itv., 4 June 1990).

Svendsen is particularly concerned that the kommune has over-extended itself in the partnership with the French businessman. The kommune's initial investment was to have been 400 thousand NKr, but the state bank pulled out because market fluctuations made it too risky. Floa pushed for the additional 600 thousand NKr, but Svendsen does not like the fact that the company's head office is in Stavanger, where it has three employees. Seven to ten more are employed in Vega and Svendsen is determined to use the kommune's share ownership to ensure that benefits return to the island. Although the kommune only owns twenty percent of the shares outright, it controls another forty percent through alliances with other shareholders in Vega. The location of head office is a common problem when

dealing with outside capital, but at least with share ownership the local state has some leverage in capturing linkages: 'we will maintain our shares so that they can't move out', Svendsen explains, 'we will be professional, but tough' (Itv.).

Mayor Bendiktsen in Salangen maintains that local government should not run firms directly, but should facilitate the operations of new and existing businesses - something Salangen excels at. Salangen Kommune nevertheless has shares in the furniture factory that still operates in the community, as well as the research and development company Foshaug is involved in. Both businesses also rent buildings constructed and owned by a kommune-owned company, which rents buildings to other firms in the community as well. Bendiktsen maintains that share ownership by the kommune is strictly a temporary measure, 'to help firms through difficult times', after which the kommune sells out its shares (Itv., Salangen Kommune, Mayor; Itv., Dynoplast, Foshaug).

Even Lyngen Kommune, which has done little to aid the firms in Furuflaten, owns a company to construct and rent buildings and has shares in several private firms. Most of the shares are in traditional resource oriented operations, such as a lumber mill and a fishing trawler. It is significant (and will be elaborated upon below) that the kommune does have 10 percent of the shares in Lyngen Plastfabrikk, the plastic fuel tank manufacturer not located in Furuflaten. The kommune also provided a serviced industrial site for the company, which is owned by the Deputy Mayor of the kommune. Like Bendiktsen, though, the Mayor of Lyngen believes that local government should not be involved in the private sector, and that the kommune should sell its shares 'when a firm is on its feet' (Itv., Lyngen Kommune, Mayor; Itv., Lyngen Plastfabrikk, Director).

These views are consistent with Aarsaether's observation that kommunalism in Northern Norway was unrelated to any desire by the local state to implement progressive employment policies. He noted that:

> In the studies carried out in Northern Norway, the lack of ideological motives is conspicuous. Generally, the communalist involvement seems to be chosen when private, co-operative or [national] state interests are unable to create or maintain an acceptable employment situation within the kommune territory. There seems to be no wish to replace private capital, or to advocate a kind of decentralized socialism (1978a:11).

Aarsaether was writing in the 1970s. In the 1980s this observation would only be strengthened, as fiscal restraint and a Scandinavian variant of neo-conservative ideology filtered through the Norwegian political system and society in general (Itv., Larsen, 12 June 1990), as witnessed in Conservative coalitions on the national level and the rise of the Progress Party (discussed in Section 3.5). Indicative of the general dominance of the Labour Party in Northern Norway, each of the mayors interviewed in this study were members, but ideological rigidity was not in evidence. As noted by Bukve, if there was an ideological thrust to the community entrepreneur strategies, it was an ideology of community, 'developed in opposition to the dominating regional policy' (1986:241).

Because of their substantial legislative and fiscal autonomy, reinforced by the introduction of bloc grants and the free kommune experiment, North Norwegian kommunes will continue to have the leverage to use all possible means to preserve or rejuvenate their local economies. If Vega, Salangen and Lyngen are any indication, share ownership and kommune operated firms will continue to be used. Because of the lack of any normative commitment to such strategies, though, they will doubtless adapt to the changing policy - and financial - environment set by the national government. Consistent with their initial opposition to direct kommune involvement in firms, national authorities are making this a less attractive option. Not only are national authorities on the fylke level refusing to bail out failed kommune loans or businesses, but new rules have been introduced to the Regional Development Fund, prohibiting financial assistance to any firm with shares owned by a kommune. National officials observe that they 'have no position on kommunes having shares in private business', but they are determined that if public money is risked by local politicians it will not be at the national government's expense (Itv., Troms National Administration, Economic Consultant).

5.2.6.2 Newfoundland

Because of provincial restrictions on municipalities, direct involvement in economic enterprises by local development groups in Newfoundland has been limited to bodies legally separate from local government. Because of their short-term funding, limited administrative capacity and penchant for make-work projects, few Regional Development Associations have been involved in business, although there are no legal restrictions on them doing so. Clarke has suggested that unlike co-operatives, the open membership of Development Associations hinders their operation of commercial enterprises (1981:32).

There are exceptions. The Humber Valley Development Association, based in Deer Lake, successfully operates businesses related to the surrounding agricultural industry and promotes local crafts. Like many Associations, the HVDA operates a road-side market every year which provides space for local farmers to sell their produce. It also runs an annual fair to promote local agriculture, which pays for itself through rental of advertising and demonstration booth space, and it co-ordinates an annual Strawberry Festival in co-operation with local municipalities, as a tourist attraction and to promote the region's strawberry growers. Similarly, it operates a craft shop for women throughout the region to market the traditional knitted and other goods which tourists pay dearly for. These activities all complement the informal economy and occupational pluralism in rural Newfoundland, providing seasonal income for people without formal employment much of the year (Itv., HVDA, Development Co-ordinator).

A more ambitious project initiated by the HVDA is a commercial abattoir to service local meat producers. The Association built the slaughterhouse with funds from a provincial government programme and used federal Employment and Immigration funding to train two local people as butchers. The Development Co-ordinator for the Association noted that there had been some discussion among

their Board of Directors as to whether the abattoir should be sold to a private operator or to lease it, but it was decided to operate it directly to provide the Association with some funds independent of government support. As she stated, 'we invested a lot of time and effort in the project, so we deserve a return on our investment' (ibid.).

Such attitudes are extremely rare amongst Development Associations, which usually limit their activities to the construction and operation of non-profit joint-service facilities for farmers and fishermen - community pastures, baiting-up sheds - and running short-term make-work projects. This was a prime motivation for the formation of the Great Northern Peninsula Development Corporation (GNPDC), which saw the potential of direct involvement in economic enterprise both in jobs and - significantly - the quality of work. In the GNPDC's promotional literature, the principle of community control is said to imply sensitivity 'to human development in its staff and in its community' (GNPDC, n.d.:5). Shareholding has been used as a means to protect workers' interests, arguably in ways which have hampered long-term development possibilities.

Sinclair and Felt have suggested that the GNPDC 'has shown no ideological commitment to social ownership; there is no principled opposition to private capital'. Yet, they acknowledge that the corporation is operating in an environment with a 'local cultural preference for private business' and where the economy is dominated by private business. Perhaps even more significant, in light of the Corporation's dependence on government funding, is 'the provincial government's desire to support the GNPDC only if private entrepreneurs invest in its projects' (1990:17,24).

Despite such constraints, the Corporation will only participate in joint ventures with private businesses if it controls 51 percent of the shares. It in fact turned down one proposal for a one-third share in a fish plant because it would have been 'unable to shape that venture as might be desired'. On the other hand, the

Corporation has also turned down outright control of a scallop processing operation, because of its goal to involve local people in community development - apparently even if they are private businessmen (Sinclair, 1989:35,37-38).

The formation of a joint venture between the GNPDC and a consortium of independent fish processing plants would seem to have conformed perfectly to these goals and constraints. When the private leaseholder of a provincially-owned freezer plant at Brig Bay, just south of the Corporation's offices in Plum Point, went out of business in the summer of 1988, Executive Director David Simms saw the possibility to form a partnership with small processors on the peninsula. One of the problems for the plant was the absence of a local fishing fleet. By purchasing fish from the other plants and carrying out further processing of it, the Brig Bay plant would solve its raw material problem and provide the independent plants with a reliable, local market for their fish. The plan also envisaged joint marketing and processing of ready-to-serve seafood products (Itv., GNPDC, Chairman; Sinclair and Felt, 1990:12; GNPDC, Newsletter, 2, No.2 (Jan.1989),3).

After considerable political lobbying, the joint venture was awarded the lease by the province in time for the 1989 fishing season. Initially, ten independent plant owners were to invest ten thousand dollars each in the consortium, but with poor catches due to declining fish stocks, only four ultimately entered the agreement. The GNPDC maintained 51 percent ownership of the company's shares, and held three of five seats on the Board of Directors, with Simms serving as Chairman. An operating line of credit was arranged from the province and the plant was ready to start up. All that remained to do was negotiate a contract with the 120 unionized plant workers (Itv., GNPDC, Chairman; Sinclair and Felt, 1990:18-19).

Consistent with its desire to implement progressive employment policies, the Corporation used its control of the Board to influence negotiations with the unions. The plant employees, represented by the United Food and Commercial Workers - which maintained successor rights from the previous company - voted in

favour of strike action 'to get the company to the bargaining table', although they expressed a willingness to work for less than other unionized plants in the area 'until the company [was] on its feet' (Northern Pen, 7 June 1989). Negotiators for the Brig Bay plant and the union agreed on a wage level $2 per hour less than in the larger, unionized plants, but about $1 per hour more than the four independent plant owners paid their non-unionised workers. Simms also stated the company's intention to establish a worker/management committee, so that 'workers will have every opportunity to have an impact on the key decisions pertaining to the plant's operation' (Rumbolt, 1989; Sinclair and Felt, 1990:19-20).

A public dispute soon erupted between the private operators and the GNPDC. The former maintained that small plants such as Brig Bay could not afford to pay any more than they were paying their workers when catches were so low. There was also opposition to recognizing the union at all. Some contended that while unions were necessary in giant operations such as in Port au Choix, small plants such as theirs were not as impersonal, so did not require unions to represent workers' interests (Itv., SBDA, President). While they were willing to put the union issue behind them, however, they would no longer accept the Development Corporation's dominance of the joint venture. Wallace Maynard, one of the private operators on the Board of Directors, described Simm's as a 'dictator', who implemented major decisions without consulting the private partners. Unless Simms resigned and the Board of Directors was re-structured, they threatened to withdraw from the company (Strowbridge, 1989b; Clarke, 1989b).

Simms contended that the private operators' only concern was that their own plants might be unionised if Brig Bay was, but when no changes were made to the structure or membership of the Board of Directors, the GNPDC's partners pulled out. The Development Corporation was left to run the plant by itself with practically no capital. Fish remained scarce and most of the company's time was spent trying to meet long-term debt and cash flow problems. When it seemed the Brig Bay operation was about to go under, taking the entire GNPDC with it, the

provincial government provided a $400,000 grant and a $1 million loan guarantee. The provincial cabinet minister who represents the Northern Peninsula made it clear to the plant workers that this was 'the last chance' for the facility to succeed, no doubt cautioning against any further threat of strikes (The Northern Pen, 12 July 1989; Sinclair and Felt, 1990:28-29; Felt and Sinclair, 1989:15; Strowbridge, 1989b).

Sinclair and Felt have blamed the private operators for the break-up of the company. As capitalists, they were only interested in maximizing their profits and disposing of the surplus as they saw fit. This conflicted with the GNPDC's goal of protecting the quality of work and re-investing surplus back into the community (1990:17-18,20-21). This dichotomy presupposes that private profits and community development are mutually exclusive. Indeed, the inability of the Development Corporation to develop an understanding of the potential mutuality of interest between them and the private operators is more likely at the root of the failure. Just as the GLEB failed to understand how production required more than economic control to succeed, as seen in Chapter 2, the GNPDC, with its insistence on 51 percent ownership, thought it could force through its policies.

The personal involvement of Simms should not be ignored in this. As noted in Section 4.7.2.2, he adhered closely to MacLeod's paternalistic approach to community development. As a region with a tradition of self-help, and the birth place of the Newfoundland Fishermen's Union (Sinclair, 1989:22-23), the people of the Northern Peninsula are not passive spectators when their livelihoods are at stake. This applies as much to small businessmen as it does to workers. One small plant operator, who also works as a - unionized - lineman with the provincial hydro company, and is president of the St. Barbe Development Association, asserts that the Brig Bay concept was great, but 'it took someone special to bring the groups together' (Itv., SBDA, President). Wallace Maynard stated, 'We were supposed to have input into the operation of this company; we put trust in Mr. Simms to run this thing in a business-like manner, but I feel we've been

manipulated. We thought the development corporation came here to enter into partnership with small industry, not to dominate small industry' (Clarke, 1989b). Perhaps even more telling was his statement that 'We didn't need some messiah to come in here and run our fishery...We independents have been up here and doing quite well over the last 20 years. Between the four of us, we have got between 350 and 400 people on payroll...So we're not exactly paupers and we are not exactly stupid' (Strowbridge, 1989b).

Threatening the pride and competence of private sector partners, where co-operation is crucial, is not the way to launch a joint venture. Simm's personality traits or policy preferences should not be isolated from the fact that he was well educated and from outside the peninsula. In an insecure industry where profit margins are precarious, cultivating trust between labour and management and among independent capitalists who normally compete, is a delicate balance - one which clearly was not struck with the Brig Bay joint venture. By alienating its partners and depending on majority ownership to enforce its policies, rather than facilitating mutual commitment to the project, the GNPDC undercut the private sector involvement it hoped to generate.

The Brig Bay experience should be tempered by the success the GNPDC enjoyed in facilitating a joint venture with five local sawmillers on the isolated eastern side of the peninsula. In 1988, Newfoundland Hydro, the provincial electricity company, announced that it was going to construct a new generating station which burned woodchips from sawmill waste and woods residue. The energy efficient and environmentally progressive project required a supplier of woodchips, but in larger amounts than any of the small local mills could provide. The Corporation proposed a consortium which could combine output and meet Hydro's requirements. A joint venture was formed, with the GNPDC holding 51 percent of shares, and the company, Northchip, won the contract. Northchip employs four people directly, the five sawmillers hired an additional ten employees and a local trucking firm

employs another five who transport the chips to the generating plant (GNPDC, Newsletter, 2, No.2 (Jan. 1989),1; Sinclair and Felt, 1990:13).

Northchip has encountered none of the divisions between the private sector partners and the Corporation that plagued Brig Bay. Some complaints have been made by residents of the area that fewer jobs had been created than had been anticipated, and that the four Northchip employees received higher wages than those who work for the private sawmillers (Sinclair and Felt, 1990:21). As there is not a union involved, however, there is no perceived threat to the latter. Perhaps more significant, though, is that unlike Brig Bay, the Northchip consortium has opened up a new business for the sawmillers, who still operate their lumber mills independently. Without the consortium, this unexpected addition to their operations would never have materialized. In fact, Felt and Sinclair reported in 1988 that the consortium had created 'a new level of consciousness and co-operation' amongst the sawmillers, who now saw 'possibilities associated with forestry which heretofore were deemed unattainable largely because of the difficulty of gaining trust and co-operation' (Felt and Sinclair, 1988:20).
It is tempting to speculate that the fact that the Northchip operation was too far removed from the GNPDC offices for Simms to have daily involvement improved its chances for success. Indeed, it is ironic that the one area of the peninsula where the GNPDC was successful in forming a joint venture with private partners was in one of the two Development Association regions that withdrew from the Corporation in 1990. Sinclair and Felt pointed to the GNPDC's inability to reconcile its business efficiency goals with its supposed participatory community development mandate as an inevitable tension in its operation. They suggested that the annual general meeting of the corporation should be opened to Development Association members to vote on business policies (1990:25-26). As has been seen, though, the limited participation in Development Associations on the community level would still make this an exclusive organisation.

A democratically elected local state body, by contrast, would not have been able to repeatedly ignore its constituents without risking defeat in periodic elections. But as long as the GNPDC continued to receive financial support from higher levels of government, it was insulated from its members and partners. With federal and provincial fiscal restraint, this is becoming an increasingly precarious dependence, as witnessed in the cuts to ACOA in 1989, which Simms said would severely limit the Corporation's future activities (The Northern Pen, 24 May 1989). A further danger in this lay in having to satisfy the policy goals of governments far removed from the fine grained needs and constraints of the Northern Peninsula. Moreover, with the establishment of the Community Futures Committee, the federal government had its own regional body to rely on to implement its policies. Ironically, the Chairman of that Committee is George Payne, one of the independent fish plant owners who pulled out of the Brig Bay agreement. It is little wonder that the Corporation was unable to have itself designated as the Community Futures BDC!

The GNPDC experience can be usefully contrasted with the economic initiatives implemented in Buchans after the closure of the mine, both in terms of institutional forms and economic strategy. The Buchans Development Corporation originated through the efforts of the municipal council, in co-operation with the mine workers union and the Regional Development Association. As mentioned in Section 4.6.2., the Buchans Town Council was not incorporated until 1976, after the mine was slated for closure and Asarco, the American Smelting and Refining Company, was divesting itself of community infrastructure - in addition to employees. The new council joined with union and Development Association officials to form the Buchans Action Committee, to lobby the provincial and federal governments for alternative employment prospects, such as a penitentiary (RILDA, 1985:16; Itv., Buchans Development Corporation, Executive Director and Marketing Director).

This committee went through various manifestations, gaining financial support from the federal Employment and Immigration Department in 1986 under a programme designed to meet the needs of unemployed mine workers in Sudbury, Ontario (Ivany, n.d.; Itv., Buchans Community Futures Committee, Chairman, 18 September 1989). The union presence on the committee gradually declined after the closure of the mine in 1984, although former union members were still active as members of the Town Council and the Development Association. Indeed, the various organisations were linked primarily through overlapping leadership, as the same people occupied positions in each organization. Foremost amongst these was Sean Power, who by 1985 simultaneously served as Town Mayor, Chairman of the Action Committee (by then called the MILAP Committee, after the federal support programme it came under), and was employed as Co-ordinator of the Development Association (Itv., Buchans Development Corporation, Executive Director and Marketing Director).

In 1986, the Buchans Development Corporation was established to manage the assets of the mine turned over by Asarco. The formation of a development corporation had been recommended in an Area Development Strategy prepared by a private consultant, contracted by the Development Association with federal funds (Ivany, n.d.). The Corporation has no formal links with the Town Council or the Development Association, but is structured on a similar basis as Scottish community businesses. Shares were sold to residents or former residents of Buchans for twenty-five dollars each, more to encourage participation than to raise capital. The Corporation is registered under the provincial Companies Act and each shareholder gets one vote at general meetings, regardless of the number of shares held and no shareholder can own more than 10 percent of the total shares. About 70 percent of households in Buchans purchased one or more shares (Itv., Buchans Development Corporation, Executive Director and Marketing Director).

While the Corporation had no formal links with the other community organisations, the informal links continued. After the Buchans region - including the smaller communities of Millertown and Buchans Junction - was designated as a Community Futures area in 1987, the Corporation succeeded in being awarded separate funding under the programme to provide administrative costs and hire staff to manage the mine assets for three years. Sean Power was hired as Marketing Director in 1989, although he soon resigned from his other positions. Sandy Ivany, a former member of the union executive, was hired as Executive Director of the Development Corporation. This was in addition to his seat on the Town Council and his position as Treasurer of the Community Futures Committee (ibid.). The potential problems of such overlapping positions well be dealt with below. Suffice it here to note that the informal integration of the various community organisations provided the unity lacking in the GNPDC.

The need to combine such a variety of organisational forms in order to benefit from an ever-changing array of federal funding programmes is in stark contrast to the Norwegian situation, where the kommune almost always takes the lead role, unless private businesses deal directly with national or fylke authorities. The effort to establish local development bodies in the Newfoundland case, moreover, takes time and money that could be going towards development itself. As with the GNPDC, the Buchans Development Corporation, and the many bodies that preceded it, used substantial amounts of funding for development studies and administration. The Community Futures Committee alone has a budget of $1.2 million over five years, and the additional funding provided to the Development Corporation adds up to $2.4 million over three years. Asarco provided an estimated $2 million in mine assets and contributed a further $50 thousand to the Development Corporation. Employment and Immigration provided another $349 thousand to upgrade the assets, particularly the machine shop (ibid.; Buchans Community Futures Committee, 1987:4).

Because of the Development Corporation's original links with the other community organisations, few people questioned its legitimacy in acting on behalf of the residents of Buchans. With Community Futures funding as its main source of operating expenses, it still maintains a close working relationship with that Committee, and the Community Futures co-ordinator's office is now located in the Development Corporation's building (part of the former mine assets turned over to them). But little connection still exists between the Corporation and the Town Council and the Red Indian Lake Development Association, which maintains its office in the Council building. Consequently, the integration of community development organizations that once existed has diminished and one group often does not know what the other is doing (Itv., Buchans Development Corporation, Executive Director, 19 April 1991; Itv. Buchans Region Community Futures Committee, Co-ordinator, 26 April 1991).

One consequence of this, as will be discussed below, is that the Development Corporation and the Community Futures Committee play less of a regional role than initially envisaged. Even within the Town of Buchans, the lack of communication has meant that the Development Corporation's activities have not been well understood by many residents, even those who own shares in the Corporation. As it has had some success in working with private firms, many decisions are made in day to day activities which an annual general meeting is insufficient to monitor or control. Two interrelated issues are most often mentioned by residents, and acknowledged by Corporation staff: whether the Corporation should use the assets it controls to operate its own businesses, or lease or sell them to private firms, and what criteria are used in hiring workers. In 1989, the Corporation's Executive Director, Sandy Ivany, addressed a public gathering to clarify the first point. Despite many rumours to the contrary, he insisted, the mine assets would not be sold. They were the property of the Corporation, to be used in the 'creation of meaningful, long term employment for the residents of Buchans', and 'to invest profits generated back into the Community of Buchans and its people' (Ivany, 1989: 7-9).

As to operating businesses themselves, or leasing the mine assets, the Corporation has been less decisive. Unlike Simms with the GNPDC, Ivany does not dominate the other members of the Corporation. Because of the initial unity of organisations in creating it, the Corporation's Board of Directors has included members of the Buchans Town Council, the Development Association Co-ordinator and several businessmen in the Town (who are also members of the Community Futures Committee). As a native of Buchans who has been active as a union official, Town Councillor, Development Association Co-ordinator and Treasurer of the Community Futures Committee, Ivany does not have the problem of trust from any of these groups, that proved so debilitating to Simms' efforts in Brig Bay. But that has not diminished debate over the proper role of the Corporation.

Sean Power, even while acting as Director of Marketing for the Corporation, did not see a role for it in operating businesses. Sharing the predominant view of the Norwegian Mayors interviewed, he observed that to attract businesses the Corporation 'had to lean with the times', which were increasingly 'right wing'. They had to 'overcome the view that the [Buchans Development Corporation] was some type of socialist enterprise and the view that a mining town lacked entrepreneurial spirit'. Power was obviously successful in projecting the right image - of the corporation and himself - as he was offered the position of company president by a Newfoundland businessman wanting to lease the machine shop of the mine for a metal working operation. As will be seen, the company established, Steelcor, may represent a long-term tenant for the Corporation and an expanding employer of Buchans residents if present activities continue (Itv., Buchans Development Corporation, Marketing Director, 18 September 1989; Itv., Steelcor, President, 26 April 1991).

This success did not eliminate the view by some that if private capital could make a success using their machine shop and employing Buchans residents, then the Corporation could have done it and reaped all the profits (Itv., RILDA,

Development Co-ordinator). Indeed, Ivany, who concedes that they had to be 'flexible with our principles if we are going to create jobs to preserve the town', nevertheless has arranged for the Corporation to operate a business directly and have shares in another. The Corporation's first tenant was a private firm, called Atlanticut, which designs and makes natural rock decorations and souvenirs - desk sets, clocks, etc.. The owner of that firm is now attempting to start up a company to produce decorative 'dimension stone' rock tiles and bricks used in construction. The Development Corporation is providing assistance in lobbying federal and provincial agencies for funding for the new business, which will rent one of the Corporation's warehouses, and has invested half a million dollars in the project (which will make it a minority partner). In the meantime, the Corporation has agreed to purchase Atlanticut outright and operate it directly, including an expansion into the production of the wood plaques many of the items are mounted on (Itv., Buchans Development Corporation, Executive Director, 18 September 1989 and 19 April 1991; Itv., Atlanticut, President).

Ivany explained that the private businessmen on the Corporation Board of Directors opposed these plans for direct involvement in operating businesses. While 'it was a battle' getting approval, though, entrepreneurs, as well as former union officials, had to be flexible with their principles to save the town (Itv., Buchans Development Corporation, Executive Director, 19 April 1991). An advantage the Buchans Development Corporation has in this regard, that is not enjoyed by the GNPDC, is its outright ownership of the mine assets, valued at $2 million when they were turned over to them. Consequently, the Board of Directors can fight it out over how to use its assets, but no individual - on either side - has the power to force their will (through majority control) or to withdraw assets or capital from the Corporation (as the private fish plant owners did in Brig Bay). When dealing with private businesses, moreover, whether as tenants or partners, this strength enables the Corporation to enforce employment conditions without threatening the continued existence of the organisation. As a mining town, which endured several violent strikes in its history, commitment to employment

conditions remains a principal not open to flexibility, even amongst those who favour private ownership.(3) The Corporation maintains a condition on all leaseholders of its assets that employees be paid the equivalent of union rates for each trade in Newfoundland (Itv., Buchans Development Corporation, Executive Director and Marketing Director). The Production Control Manager with Steelcor, a Buchans native, confirmed that they were paid equal to or above union shops, as well as having a company health plan. He added that in Buchans, where housing was so cheap because so many people have moved, this afforded a much higher standard of living than equivalent jobs on the mainland (Itv.).

It is significant that the Corporation does not require unionization. Even those who were in favour of operating the machine shop directly believe that 'early on, unions would have ruined the Buchans Development Corporation' (Itv., RILDA, Development Co-ordinator). Supporters of 'socially useful production' certainly would have had difficulty with Steelcor, which has specialised in bidding on defense contracts (Itv., Steelcor, President). Commitment to pay levels and quality of work, rather than to unionisation, seems to have been a successful compromise for the Corporation, one which has more in common with the GNPDC's Northchip operation than with Brig Bay. Because the Corporation can set conditions on all the employment created within its facilities, however, it can avoid the unequal pay levels encountered between Northchip and its private partners.

A final advantage gained by the Corporation in its ownership of the mine assets is its increased opportunities to achieve economic self-sufficiency. No less than the GNPDC or the Pasadena Venture Centre - or the North Norwegian kommunes studied - the Buchans Development Corporation has depended on funding provided by higher levels of government. The Community Futures funding received has been especially crucial. Early in 1992, the funds allocated to the Corporation under the

3 For good examples of the articulation of demands for 'social justice', and that people be recognized as 'subjects of an economy, not objects' by residents of Buchans, see RILDA, Report, 1985:7-11.

programme run out, and while the Community Futures Co-ordinator is hopeful they will be extended, there are no guarantees (Itv.). Unlike the other local development groups, however, the Buchans Development Corporation has succeeded in meeting 50 percent of its operating costs through its own income generating measures. In addition to leasing industrial space to Steelcor and Atlanticut, the Corporation has rented office and warehouse space to construction and mineral exploration companies operating in the area. If either of its own business projects, or some others that are being studied, succeed, Buchans could be able to survive without depending on continued federal and provincial largesse. That would constitute true autonomy in local development activities (Itv., Buchans Development Corporation, Executive Director, 19 April 1991).

Unless the Buchans Development Corporation can re-establish closer relations with the Town Council, however, it will lack the legitimacy of the local state to go with its fiscal capacity. Because it remains an exclusive organisation, only responsible to its shareholders, there have been some tensions over who in the community the corporation or its tenants employ. When it was filling its own staff positions, the Corporation encountered substantial resentment that several of the jobs went to members of the Board of Directors. It is the Corporation's policy that all jobs must go to Buchans residents or former residents, unless there is no one qualified for a specific position. Where residents are deemed to have equal qualifications, however, those who are shareholders will be favoured (Buchans, 'Community Newsletter':v.).

As such, not only has the Development Corporation isolated residents of the two neighbouring communities in 'the Buchans region', but it has established two categories of Buchan's resident. Unlike Northern Norway, where an 'ideology of community' supersedes all others in kommune development activities, the institutional evolution of local development in Buchans is pushing it in the opposite direction. As a model for other communities, moreover, Buchans has the ironic distinction of being 'lucky enough' to have suffered a mine closure. It is difficult to

conceive of any other way a community of little more than a thousand people could own industrial assets worth over $2 million - unless it was one of the rich Norwegian kommunes that earns hydro-electric revenues!

As national - and in Newfoundland, provincial - spending levels continue to be cut back, local development bodies are finding it increasingly difficult to create public-sector employment, access funds to attract outside capital or venture into their own economic enterprises. The swing to the right identified by so many local politicians - and promoted by national governments - increasingly presupposes that a resurgence of free enterprise as embodied by small and medium sized businesses, is the only answer. If integrated effectively on the local level, small and medium sized enterprises (SMEs) could offer a more rooted form of development than reliance on large mobile companies, and a more economically sustainable option than relying on public-sector spending. Where conditions were favourable, moreover, there is nothing inconsistent about combining support for SMEs and direct involvement by local development bodies in economic enterprises. Few variants of SME support are, in theory, this eclectic, although most in practice will attempt any strategy that is likely to work. Integrating them coherently on the local level, as is becoming increasingly apparent from the cases studied, is another matter.

5.2.7 The Local State, the 'Entrepreneurial Spirit' and 'Post-Industrial Society'

As mentioned in Section 3.8, regional development policy in both Canada and Norway reflected the neo-conservative agenda in the 1980s with the establishment of ACOA in Atlantic Canada and the introduction of 'grunder' strategies within the Norwegian Regional Development Fund. DeWolf, McNiven and McPhail captured the prevailing ethos in stating:

> ACOA's emphasis on innovation, education, entrepreneurship, training and local development is evidence of the new approach being taken by regional development agencies in western countries. The economic climate of the 1990s will be different than that of the previous three decades. Regional development agencies, like firms, will have to adjust to an environment that will be more competitive, will be service sector oriented, and will reward technological innovation. Communications will be essential to doing business in this climate, as information generated in one part of the world becomes almost instantaneously available to other parts. The more that agencies like ACOA are able to respond to this environment, the more successful they will be in undertaking regional development (1988:324).

Bukve commented on the ideological implications of the new approach in the Norwegian context:

> the strategy emerging today is producing not only grunders, but in addition a liberalist market ideology ... When the newly created grunders have, after sufficient injections of the tax-payers' money, succeeded in establishing their small enterprises, they seem to verify that private initiative is a condition for success, and that everybody ought to be the master of his own fate. But if the venture turns out badly, the government is accused of wasting money by supporting a venture that everybody could see was not destined to live (1986:260).

The attitudes of Norwegian and Newfoundland mayors in the cases studied are consistent with this view. Even where municipalities play active roles in promoting economic activity, they still hold that the private sector is best able to achieve sustained development. In Newfoundland, with the exception of communities with strong union traditions, such as Buchans and Corner Brook (4) mayors and development officers conflate the need for local control of development activity with individual initiative, deregulation and the failure of centralized bureaucracies (Pardy, 1988:7-11). Bill Pardy cringed when asked about unions, saying 'I shiver when I hear the word...they are one of the constraints to development in

4 In Corner Brook, the Economic Development Office consults the local Labour Council before encouraging specific firms to move into the area. As explained by Development Officer, Pat Pye, 'we have to keep the unions happy, they're the people' (Itv.).

Newfoundland...they scare it away' (Itv., Town of Pasadena, Economic Development Officer).

Where the private sector was weak, one federal-provincial statement on regional development allowed, a wider view of the 'private sector' could be accepted, which accounted for 'local community-based and co-operative groups, business associations, trade unions and other organizations', although no mention was made of local government (Government of Canada and the Governments of the Provinces and Territories, 1985:12). In Norway, the role of kommunes in economic development could not be ignored by the national government, but their function was to be limited primarily to providing 'advisory services for local firms and entrepreneurs' (Bukve, 1986:251). As has been seen, the kommunes have gone far beyond providing business advice in the cases examined. For the Conservative leader in Vega, the weakness of the private sector on the island justified a more active role by the kommune, even though this 'did not square with the thinking of my party' (Itv.).

Reliance on entrepreneurialism and individual initiative has nevertheless been an emerging trend in local development initiatives in Norway. With the country's high rate of unionization and social democratic political culture, this is seldom combined with an attack on unions. But an interest in the cultural underpinnings of successful grunder strategies has opened debate on how attitudes and traditions in some regions must be overcome to enable business development. Bukve has suggested that egalitarian peripheral societies dominated by agriculture and fishing are not conducive to the creation of a grunder culture (1986:259), although Spilling identified the Sunnemore region of western Norway as the paradigmatic entrepreneurial society, with its roots in the family firms which operated in the resource sectors (1985:16-23). Within Tromso Kommune, Sommaroy's success as a small community with several fish plants has been attributed by some of its residents to its strong Baptist tradition, which unifies the community in periods of crisis. Overtones of Weber's Protestant work ethic can be seen in comparisons

between Sommaroy and Sunnemore, which is also known for its strict religious adherence (Itv., Sommaroy Community Committee, Chairman).

In Vega, the cultural programmes operated on the local level are seen as more than an improvement to the quality of life for young people in the community. Rather, as expressed by Eric Svendsen, 'artists typify creativity - the same quality needed to create jobs; if children gain that quality, there can be spin-offs' (5). At the same time, he added, our schools must teach children that they can no longer expect to find jobs waiting for them: 'they must learn to take responsibility to make a job for themselves' (Itv., Vega Kommune, Economic Development Officer, 4 June 1990).

In Furuflaten, by contrast, the entrepreneurial spirit is thought to have been spread by example. When a local contracting company expanded during the period of post-war reconstruction, people in the community felt that if that family could succeed, so could they (Itv., Uponor, Technical Director). Whether through emulation, education, or religious or cultural pre-disposition, the example of Furuflaten - successful local businesses developed without direct intervention by the kommune - is seen as the preferred form of development by fylke officials who administer the Regional Development Fund (Itv., Troms Fylke, Planning Chief).

In Newfoundland, senior provincial government officials share the view that successful economic development depends on entrepreneurial individuals who have invested their own money in a project and who want to make a profit. The failure of the Regional Development Associations to generate long-term jobs is seen to be the result of the absence of such factors. They agree with efforts to tighten up the unemployment insurance system, because the safety net reduces the incentive to succeed. Rather than provide funding to community groups involved in projects that the private sector 'wouldn't look at', government should support winners, who

5 The possibilities for the arts, and culture in general, to be used to generate local development is a theme being pursued by Spilling in a project sponsored by the Norwegian Association of Local Authorities (Spilling, 1988).

have proven they know how to succeed (Itvs., Government of Newfoundland and Labrador, Intergovernmental Affairs Secretariat, Assistant Deputy Minister; Executive Council, Clerk of the Executive Council).

Even if such views were accepted, the problem in Newfoundland, as the House Royal Commission recognized, was that there are too few private sector 'winners' to pick. As noted in Section 3.7., the Commission called for a guaranteed annual income to replace unemployment insurance, so as to overcome disincentives to work created by the system without punishing those unable to find - or create - jobs. It also saw a role for other sources of entrepreneurship: 'co-operatives, development associations, unions and public agencies' (without developing the potential of the last, of course). But for all forms of SME to play a greater role in the province, the Commission also saw the need for the attitudes of Newfoundlanders towards business to change:

> Perhaps as a legacy of the old merchant system, Newfoundlanders tend to be suspicious of business persons, particularly if they are successful and earn a lot of money. In small communities, individuals are sometimes frowned upon if they become too ambitious and try "to get ahead" of other people. To the extent that it discourages self employment and entrepreneurship, which are badly needed today, this attitude has negative effects (Newfoundland. Royal Commission, 1986:31,384).

Just as the Development Associations on the Northern Peninsula, led by David Simms, picked up on the House Commission's support for local development corporations, so too did Bill Pardy see the potential for the Venture Centre to launch a project to create an 'entrepreneurial culture' on the west coast of Newfoundland. When the Town's incubator mall first opened, with little response from the private sector, Pardy decided to develop a promotional and educational programme to combat the region's 'rural, inward-looking mentality'. This began with workshops and tours of the centre for local school children, and 'business opportunity forums' for potential entrepreneurs in the area - 'anything to create activity around the building' (Town of Pasadena, The Venture Centre, n.d.:2-4; Itv., Town of Pasadena, Economic Development Officer, 26 September 1989; Pardy, 1988:9-10).

The next step was to put promotional material on video tape. To raise the necessary funds, and to transform the promotional project into a job creation initiative in its own right, Pardy applied to the federal Department of Employment and Immigration to support a multi-stage project called 'Awakening Entrepreneurial Spirit - The Key to Job Creation' (AES). The project appealed to all the fashionable development concepts: 'increasing an awareness of the contribution small business makes to job creation'; 'increasing the number of people showing an interest in starting a business'; 'encouraging the participation of youth'; 'provide training and education opportunities for the development of skilled entrepreneurs'; as well as some more imaginative goals, such as 'developing a local expertise in the use of local television programming as a tool for development' (Pardy and Foote, 1989a:6-8).

With a combined budget from Employment and Immigration, the MUN Extension Service and the Town of Pasadena of $259,000, in April 1987 the Venture Centre hired a staff of five people to carry out the project. A series of seven video tapes were produced profiling the region, various business success stories and the steps others should take in trying to replicate them, with separate videos catering to the special concerns of youth and women wanting to start their own business. To give the videos as wide an audience as possible, a live satellite broadcast was then produced, including opportunities for viewers to phone in and ask questions to a panel of business people. After the live broadcast, the videos were presented on cable television and to community meetings and business workshops. An extensive, independent evaluation of the project's impact indicated that it had succeeded in making people 'more aware of small business', although it 'detected no change in the general public to start a new business' (Pardy, 1988: Appendix,8; Pardy and Foote, 1989a: 6-12; Pardy and Foote, 1989b:8-11).

Aware that he was onto a good thing in 'selling an image' - regardless of the reality (not something he acknowledged) - Pardy stressed that the AES project did

not end with the completion of the first funding period. Rather, this was to be 'a long-term continuing education project'. With ACOA support, the Venture Centre contributed to the development of a curriculum package on entrepreneurship for a western Newfoundland school board. It then embarked on the next major instalment of the AES project - the production of a live satellite link between the Humber Valley region and a similar region in the United Kingdom. Redolent with all the virtues of small business promotion, entrepreneurial training, local initiative and international communications, the project could not miss, and for 'between $150,000 and $200,000' from ACOA and Employment and Immigration, a telecast with a local development group which operates in Northern Ireland was arranged. International networking was usually conducted on an individual or organisational basis, Pardy explained, whereas this project would exchange 'complete communities simultaneously', ensuring that 'the general public in both areas get a first hand opportunity to share in the exercise...and the benefits' (Itv., Town of Pasadena, Economic Development Officer, 29 September 1989; Town of Pasadena, n.d.:8-10; Town of Pasadena, Venture Visions, 1, No.3 (Oct.1990) / 1, No.5 (Dec.1990).

As has been noted, Pardy went on to work for ACOA, where his enthusiasm for small business, innovation, and international information exchanges will no doubt fit right in. Perhaps ACOA thought it would be more cost effective to employ him directly than to keep funding his projects. The Pasadena AES project has now withered to a newsletter on small business and community development consisting primarily of reprints from magazines and government publications (Town of Pasadena, The Venture Centre, Venture Visions).

There is no shortage of agencies to take its place in promoting entrepreneurial education on the local level in Newfoundland. Within the same region, the Humber Valley Development Association, although dubious of Pardy's international forays - because we need more 'networking in our own province' first - also saw the funding potential in the entrepreneurial development bandwagon. Showing true innovation

in combining the informal economy, short-term funding and entrepreneurial education, the Association successfully applied for support from Employment and Immigration for a training course in 'Entrepreneurship and the Craft Industry' (Itv., HVDA, Development Co-ordinator).

The Community Futures Committees have also called for increased entrepreneurial training, although they are able to offer more tangible support to potential SME owners under their 'Self Employment' funding programme. Some Community Futures areas have found it difficult getting enough applications, however, especially in small isolated communities where business opportunities are limited. Where applications are received, most are to create service sector businesses, where the vast majority of SMEs are situated. The Greater Humber Committee's five-year development plan reported in 1988 that most applications for SME support to the area's BDC were in 'the more traditional areas such as grocery stores, beauty salons and lounges' - hardly what could be considered propulsive industries to fuel regional economic growth! (Greater Humber Community Futures Committee, 1988:7,20,40-41; Gander Area Development Corporation, Annual Report:13-15; Itv., Buchans Region Community Futures Committee, Chairman).

Regardless of the location of communities, in fact, emphasis on job creation dependent on SMEs leads inevitably to a service sector dominated economy. Part-time employment in the 'business, community and personal services sector', as measured by Statistics Canada, accounts for most new jobs created in Canada. Because a large percentage of these are in fast-food companies, economists are referring to Canada's 'McJob economy' (Evening Telegram, 11 May 1991). While named after what is certainly not an SME, the description highlights the low pay common to 'dependent industries' in the service sector. As discussed in Chapter 2, the distinction between service and manufacturing or secondary industries is becoming increasingly ambiguous as more and more industries rely on sub-contracting and other links to SMEs providing producer services. But development

initiatives which glorify entrepreneurialism and SMEs without specifying a need for linkages to propulsive industries have little hope of generating economically sustainable activity, whether in peripheral regions or urban agglomerations.

If the importance of production linkages is not acknowledged, finally, the potential of new information and communications technologies can be exaggerated. The House Royal Commission placed great weight on the emergence of the so-called 'post-industrial society' or 'information age'. By providing rural communities with the latest computer and telecommunications technologies, it maintained, Newfoundland could '"leap-frog" the industrial age' and prosper on the basis of the service-oriented 'electronic village'. Such an approach fetishizes the need for information links beyond a region or province to learn of new market trends and business opportunities elsewhere, and over-emphasizes the potential of services acting as propulsive industries: 'Information/communications is both a major service industry in its own right, and an essential means to the growth of a myriad of other service industries' (Newfoundland, Royal Commission, 1986:19-20; 194-95).

This conception of development was, of course, shared by Bill Pardy, who argued that 'one of the main commodities required today for new business development is information ... [which] takes the form of ideas, concepts, approaches and activities taking place elsewhere' (1988:15). This preoccupation with developments elsewhere is just as problematic as earlier approaches to development in Newfoundland which attempted to replicate the Canadian National Policy or introduce large-scale manufacturing industry. The possibility that innovation and exports could be generated through linkages between local firms is over-looked, despite the fact that Pasadena's incubator mall succeeded in achieving just that (as discussed below).

The GNPDC also proclaimed the potential of computer links to overcome the problems of distance within its own region. Computer links were seen to be the

solution to overcoming the sense of isolation between the member Development Associations and the Corporation head office. Because of its early involvement in time-consuming business activities, however, the planned 'computer linked network' was slow to be established (GNPDC, Newsletter, 2,No.1 (May 1988),3; Sinclair and Felt, 1990:16). It is doubtful that improved communications could have overcome the problems in distribution of power and location of developments that plagued the Corporation - sometimes the medium can not take the place of the message.

Consideration of the possibilities of new communications and information technologies seems often to induce a suspension of critical evaluation. When the Economic Recovery Commission was established to implement the House Commission recommendations, one of its first activities was to sponsor, in co-operation with ACOA, a conference called 'Bridging the Distance: Regional Development in the Information Age' (Newfoundland and Labrador Development Corporation, Conference Brochure). The star attraction was Alvin Toffler, author of such 'exagger-books' as Future Shock and The Third Wave (). The Commission has since joined forces with ACOA to implement a network of 'telecentres' throughout the province, to provide entrepreneurs and community development groups in rural communities with all the technological facilities necessary for Newfoundland to keep up with the 'post-industrial, information age' (Norman, 1991:13).

Public provision of such infrastructure in rural areas is clearly a positive step for business development, but while this may be a necessary condition for generating economic activity, it is far from sufficient. The introduction of telecentres was pioneered in Scandinavian countries, and many of the initial exaggerated claims have since been tempered (Bryden, et al., 1989). Salangen is working on a project,

6 In a 1983 article in the Wall Street Journal, Anthony Downs attacked such widely-read authors as Toffler, who 'have raised the art of pseudo-scientific hyperbole to new heights'. The ingredients of such books, he contended, were 'exagger-trends', 'presumptive but plausible inter-relatedness', and 'revelation by relabelling' (Cited in Pahl, 1984:1).

in co-operation with a kommune in north Troms, to explore ways in which jobs can be moved from Tromso or Oslo to peripheral kommunes using new communications technologies, but this is treated as a research and development project. Kommune - public and private - acquisition strategies are still at the forefront of Salangen's development efforts (Itv., Salangen Kommune, Mayor). Meanwhile, Vega and Sommaroy are exploring ways in which computer links can enable them to locate public-sector jobs currently based in regional centres in their communities (Itv., Vega Kommune, Economic Development Officer, 4 June 1990; Itv., Sommaroy Community Committee, Chairman).

Evidence of electronic villages enabling private sector entrepreneurs to work with companies or projects located in urban centres elsewhere in the country or the world is practically non-existent. As seen in the case of the salmon export business in Vega, computer links will enable production to be tailored to demand, but this is very much a case of an established resource industry benefiting from improved market knowledge, not of a new 'information industry'. In Furuflaten, Uponor has been able to employ three women in jobs previously held at the company's main office near Oslo because of a new telecommunications system, but again, this is a pre-existing manufacturing enterprise taking advantage of improved technology, not a new industry (Itv., Uponor, Technical Director). Terje Stabaek, the Manager of a business development centre in Nordland, states: 'I don't have much confidence in information age industry...that with information technology, we can sit in rural areas and be linked - that's a lie'. Where it exists, he maintains, it is on the individual level, where people with a specialised skill attained elsewhere re-locate to a rural area for the benefits of lifestyle (Itv., Centre for Business Development, General Manager).

An uncritical promotion of SMEs, entrepreneurial culture and the post-industrial society can only serve to divert attention from the very real possibilities of locally-based SME's in generating sustainable economic activity. Private entrepreneurs, enterprises with local government participation and co-operatives

can all contribute to the formation of regional production systems where services complement existing resource industries and manufacturing, increasing efficiency and innovation. Market knowledge and research and development findings from outside the region must be attained, and new communications technologies no doubt contribute greatly to the ability of peripheral communities in this regard. But unless an articulated industrial framework can be established on the local level, to harness the abundance of otherwise disembodied information, linkages will continue to be lost to other areas, perpetuating the cycle of underdevelopment.

5.3 Facilitating Inter-Firm Linkages

5.3.1 Introduction

Chapter 2 outlined the various forms inter-firm networks could take in the establishment of articulated regional production systems. In many of the international examples of the emergence of industrial districts, firms have clustered of their own accord as a result of spin-offs from large companies, in the pursuit of external economies, because of the need of close spatial proximity for effective just-in-time delivery systems, or as a combination of these and other factors. In other areas, such as Mondragon, co-operative traditions and structures have provided the trust necessary for effective inter-firm networks and the establishment of joint-service facilities. Elsewhere, the local state has provided the motive force behind efforts to combine competition and co-operation. The role of the local state in the Third Italy is the paradigmatic case of this, although the efforts by the Labour-controlled local authorities in Britain provide useful examples of some of the constraints - and possibilities - of the creation of industrial districts.

We have seen the problems encountered in Newfoundland and Northern Norway when relying on private capital - both external and local - to generate economic activity. Where co-operative traditions are strong and people choose to work together, co-operatives can be encouraged and supported, but by their very nature, they can not be policy induced. Yet, despite very different forms of local state, little effort has been made in either region to facilitate the creation of inter-firm networks. As a (re-?) emergent economic formation, that is only beginning to be analysed and is still subject - as has been seen - to intense debate, this is not surprising.

Some local economic initiatives in Newfoundland and Northern Norway have nevertheless reflected the trends identified. Catering to market niches, co-operating in joint marketing consortia, encouraging sectoral linkages, adoption of flexible technologies, shared research and development and training, and establishment of joint-service facilities have all been implemented or attempted,

with varying degrees of success. In Newfoundland, the weakness of the local state and the consequent role of voluntary or quasi-state bodies, has weakened the effectiveness of these initiatives where they have been tried. In Norway, the concentration of the local state on more traditional development efforts has often diverted it from implementing sectoral strategies. Where firms have been successfully established, though, the generation of linkages can be discerned, and there are signs that the kommunes are beginning to see the potential in facilitating them.

In both Newfoundland and Northern Norway, higher levels of government have played a more prominent role in these initial moves towards inter-firm networks. In Newfoundland, this is no doubt because of the dominance of the provincial government - relative to municipalities - in implementing economic development policy. In Norway, the opposite is likely the case. Because kommunes dominate most other forms of local development, acting as a facilitator of inter-firm networks is a development niche left open to fylke development officers. In both Newfoundland and Northern Norway, there are also sectors where economic links cross municipal and kommune boundaries, making the province or fylkes the most appropriate agent of intervention. This applies only in certain sectors, however, and for the most part, as will be seen, intervention on the level of the local production system corresponds with the local labour market. How territorial and political forces may be united to meet these economic conditions, discussed in Section 5.3.3, will conclude the chapter.

5.3.2 Niche Marketing and Consortia

As seen in Chapter 3, the small domestic market in Newfoundland, and the distance of the island from large urban markets on the mainland, has been repeatedly blamed as one of the primary reasons for the failure of efforts to establish manufacturing industries. The House Royal Commission noted that the fact that there were a few examples of successful exporters should caution against

abandoning all such hopes, but it saw the best chances of success in 'small-scale manufacturing for local markets or in specialty products'. For these to be developed, it added, 'appropriate technology, specialized marketing skills, management training and sound business planning', would have to be facilitated by the government (Newfoundland, Royal Commission, 1986:158-61). For the House Commission, of course, this meant the provincial government.

One of the most successful examples of generating new manufacturing enterprises by catering to local market niches in Newfoundland, however, is the Town of Pasadena. Using the Town's incubator mall as an incentive to local entrepreneurs, Bill Pardy explicitly pursued industries which could displace products being imported into the area. Salt beef is a traditional Newfoundland meal, which Pardy saw as a form of processing which could build on the Humber Valley's active agricultural industry, but which up until then was being imported from St. John's. A private firm was subsequently encouraged to establish in the Venture Centre, which started with salt beef production, and has since expanded into other meat processing, employing eleven people. A similar approach was taken with a firm manufacturing cabinets and counters with marble sinks. Because shipping costs are high, the firm has an advantage over its competition, all of which is from outside the Humber Valley region (Itv., Town of Pasadena, Economic Development Officer; Telephone Itv., Town of Pasadena, The Venture Centre, Acting Manager).

It is unlikely that the provincial government could or would work with local firms in catering to local market niches such as these. It does not operate facilities which can provide the necessary support for new firms, but more fundamental is the political element of import displacement. Senior provincial officials maintain that the province should not support businesses in one region of Newfoundland, if their production competes with those already operating elsewhere (7). Their concern is with employment levels for the province as a whole, even - it would

7 Itv., Government of Newfoundland and Labrador, Executive Council, Deputy Minister of Intergovernmental Affairs, argued that the plastic manufacturer located in the Venture Centre - and still successful at that point - was taking business away from a St. John's firm which had already been established with provincial government support.

seem - if that means everyone has to move to St. John's! Yet, the same officials are the first to criticize the federal government if it suggests Newfoundlanders should move to the mainland to find employment. For peripheral communities, restructuring that relocates economically viable jobs from high employment areas - in relative terms - such as St. John's, to areas with few opportunities for formal employment, is successful development.

In Northern Norway, some local - or regional - market niches take on international dimensions, where fylke involvement plays a lead role. Because Northern Norway shares a common border with the Soviet Union, the recent economic liberalisation of the Soviet system is producing new market opportunities. For the first time since the end of the Pomorse trade after the Russian Revolution, the people of Tromso are looking north for export possibilities. While 'the Russians haven't got any money', they do have timber, and Troms Fylke officials are meeting a steady stream of Soviet delegations requesting joint ventures and trade links. In one project, the fylke has arranged for a Tromso factory to produce over one thousand pre-fabricated homes for export to the Soviets. The north west region of the Soviet Union is home to over one million people - as a result of political change, the perceived geographic peripherality of Northern Norway may be ending as 'new' urban agglomerations come into reach (Itv., Troms Fylke, Planning Chief).

Even without public sector intervention, Northern Norway presents regional market niches that attract manufacturing industry. Ole Hamnvik explained that Uponor benefited by having a factory in Furuflaten because it could serve the markets of the northern regions of Norway, Finland and Sweden. But he also maintained that production based on regional markets could provide a base to exports farther afield. The Uponor factory in Furuflaten imports raw materials from as far south as Germany, manufactures plastic pipe, and takes in a market area stretching to Bergen (Itv., Uponor, Technical Director). The Dynoplast factory in Salangen was similarly established to exploit the North Norwegian market for fish tubs, but as has been seen, it has used this base to export its product throughout Norway and internationally. Both these manufacturers admit,

however, that in the North Norwegian context, national transport subsidies have played a significant role in their success (Itv., Dynoplast, Foshaug).

For Steelcor in Buchans, Sean Power claims that transportation costs do not hinder the firm's ability to bid on defense industry sub-contracts. Because so few goods are processed or manufactured in Newfoundland, he explained, countless transport trucks return to the mainland empty. Consequently, transport firms offer low rates on goods shipped out of the province, making shipping costs one of the lowest components of the company's budgeting (Itv., Steelcor, President). Not only does this factor reveal the fallacy of transportation costs as an impediment to manufacturing in Newfoundland, but for the west coast of the island, an even cheaper alternative exists. Bill Pardy pointed to the fact that the massive markets of the Eastern Seaboard of the United States are only a short trip from Corner Brook or Port aux Basques by cargo boat, still the most economical form of transportation (Itv., Town of Pasadena, Economic Development Officer).

For SMEs such as Steelcor, which cater to very specialized market niches, and for branch plants of multinationals like the North Norwegian Uponor and Dynoplast factories, which have the advantage of the parent company's marketing expertise and power, finding export markets for their goods is not an insurmountable problem. For most SMEs, however, marshalling the resources to manufacture their product in the first place exhausts their financial and management capabilities. Finding and maintaining their own export niche is beyond the reach of the individual SME. For Vega Kommune, in its production of high quality salmon for European niche markets, the answer was a joint venture with someone who has the market contacts. The problems of inward investment are not avoided entirely by this means, however, as witnessed in Eric Svendsen's concern that benefits would be lost by having the head office in Stavanger.

An alternative solution is offered where public sector bodies facilitate the formation of joint marketing consortia. This has been a standard practice for the fishing industries in Newfoundland and Norway, but usually with unprocessed fish

that is exported to the countries that could provide a market for the finished - ready to serve - product. Addressing this problem was one of the goals of the GNPDC in its Brig Bay initiative. A separate joint marketing company was established on the same basis as the Brig Bay plant. The company was to market all the products of the independent plant owners, employing a specialized marketing manager and ensuring optimum quality control. When marketing their product separately, the plants generally competed with each other, and lacking marketing knowledge or capability, they were limited to weak bargaining positions with fish brokers or left to respond to the spot market with no long-term strategy. By working together, with a coherent marketing plan, they would improve their market power, getting higher prices and better terms of payment (GNPDC, Newsletter, 2, No.2 (Jan.1989), 2; Felt and Sinclair, 1988:22-23).

The GNPDC also planned for the joint marketing company to develop a brand name identifying the product with the peninsula. A grant of $22,000 was received from the provincial Department of Fisheries to develop a name and logo, to improve market identity. The company would then also provide packaging for the product, which would lower individual costs, and by pooling shipping costs, better rates would be attained. Despite such a well integrated plan, with funding support and private partners willing to attempt co-operation despite a tradition of competition, the joint marketing company has yet to get off the ground. With the break-up of the Brig Bay board, the member companies also withdrew from the joint marketing company (NIS, Fisheries, 29 May 1989; Itv., Felt).

The reasons for the Brig Bay failure have been detailed above, but it is tempting to speculate that the GNPDC may have had greater success if it had limited its role to marketing, rather than having direct involvement in production. Success in facilitating co-operation in the former, where the private partners had everything to gain in an area they were unable to function effectively individually, may have developed the trust necessary for success in the latter.

Nordland Fylke is working on several projects that attempt just this. An economic development body established at arm's length from the Fylke administration to work closely with individual firms, the Centre for Business Development, was hiring one staff member to facilitate export marketing linkages for SMEs in the region. The General Manager of the Centre explained that the local market orientation of most SMEs was primarily a function of the costs involved in entering international markets. By 'building bridges between companies' the Centre was already opening up export opportunities for Nordland SMEs. A personal contact in Czechoslovakia had been used to discover a market for building materials, as demand there for private housing increases. The Centre arranged for three individual firms - a window manufacturer, one making doors and another which produces wall board - to work through a professional marketing company in winning the contract. A similar project is uniting mechanical sub-contractors to bid on work in northern Sweden (Itv., Centre for Business Development, General Manager).

A geologist with the Nordland Fylke administration, Ola Torstensen, is doing similar work with SMEs which export decorative stone tiles used for building construction - the dimension stone industry that Atlanticut in Buchans is trying to move into. Torstensen maintains that the companies want to co-operate, 'but none of the companies do anything to get this to happen, so the initiative came from us...from me'. The same limitations in time and resources which inhibit their ability to develop export markets, also impede efforts to establish inter-firm linkages. Having no private stake in intervening in competitive relations - something the GNPDC was always suspect of - public officials can play the necessary mediating role while maintaining the trust of private companies. Eight or nine companies are now involved in the establishment of a new organisation to work on joint marketing, and Torstensen is confident that co-operative relations are being established (Itv., Nordland Fylke, Fylke Geologist).

The crown corporation controlled by the Economic Recovery Commission, Enterprise Newfoundland and Labrador (ENL), has just established a similar

association of dimension stone producers in Newfoundland. It does not have the explicit goal of generating joint marketing ventures, but this forms part of its overall aim of acting as an umbrella organisation. For Fred Thorne in Buchans, this represents a potential threat to his plans, although he is one of the founding members. He saw his enterprise as having discovered an exclusive niche amongst Newfoundland producers. As a member of a trade mission sponsored by the federal government to the Eastern Seaboard, Thorne met a marketing consultant interested in representing him if he could get production under way. The American representative even invested in the proposed firm as a minority partner (the Buchans Development Corporation is also committed to owning shares) (The Gander Beacon, 3 April 1991; Itv., Atlanticut, President).

Thorne is now concerned that the umbrella organisation will steer other Newfoundland producers towards 'his market'. Trade missions, sponsored by the provincial as well as the federal governments, may aid individual firms in gaining markets, but they are not designed to facilitate the creation of an inter-linked industry. By operating as an over-arching association, the organization aided by the ENL Corporation may be too general to fulfil this role. Thorne is hopeful that it may serve as a means to divide markets between the participating companies to reduce competition (Itv.), but this would be more a cartel to isolate marketing than a joint marketing consortium, serving to maintain divisions between firms rather than to promote increased mutual reliance. It is possible that a provincial association covers too much territory for members to share a sense of mutual benefit in each other's success. If joint marketing is to develop into more production-oriented linkages this would seem to be even more the case.

5.3.3 Producer Services and Manufacturing Inputs

The House Commission Report, upon which the ERC is based, observed that for the SME sector to become 'vibrant and viable', without depending on continuing infusions of government funds, enterprises would have to 'operate as self-reliant

entities which can be mutually self-supporting'. But the Commission failed to delineate the territorial implications of inter-firm networks. In its discussion of producer services, it focused exclusively on those professional functions which large corporations contract out to consulting companies: 'engineering, architectural, administrative, managerial, computer and training services'. If developed effectively, the Report contended, these could become exportable services (Newfoundland, Royal Commission, 1986:198,202,384).

Far more important to the creation of a 'vibrant and viable' economy than exportable services are the linkages which contribute to the creation of regional competitive advantage in the production of goods for export. In a research project in Middle Norway, the region surrounding Trondheim, Peter Sjoholt found that many types of producer service could be situated in peripheral areas. The more professionally specialised the service, the greater the requirement for it to be based in a large centre. He found that frequently demanded services - sales and service for construction activities, accounts and auditors firms, and wholesale enterprises for agriculture and forestry - were often located in local centres. In contrast to the Newfoundland Royal Commission's emphasis, Sjoholt noted:

> We will have to learn the lesson of not patronizing the most elevated and specialized services. Most needs for these functions in marginal areas will as up to now have to be met by provision from the outside, from enterprises in more central areas. In our eagerness to jump on the bandwagon of growth we have forgotten the goods related 'blue collar' services like transport, storage, repair and maintenance. Firms and institutions are today increasingly inclined to let subcontractors and special deliverers provide these services. In contrast to more competence requiring services these will be possible to locate near the consumers also in cases of less concentrated demand. A stop gap strategy for preventing leakage of such services would possibly have greater chances of success than measures for locating sophisticated information services in marginal areas (Sjoholt, 1989:7-11).

Salangen Kommune has taken just such a modest approach to inter-firm linkages. With the exception of inward public and private investment, the kommune Conservative Party leader contends, 'the best we can do is take care of each other: buy all the goods we can from each other, use our own services, use our own expertise, and don't buy from the south' (Itv.). This passive form of import replacement - relying on existing firms and resources rather than targeting areas

for new firm creation - resembles the type of self-reliance strategy supported by some advocates of community development in the 1970s (Bukve, 1986:247-48).

The Kommune has moved in this direction by assigning the economic development officer to serve as secretary of the local Chamber of Commerce. The Chamber has been encouraged to expand beyond the traditional service sector membership, to include the industrial and construction firms in the kommune. An inventory of all the goods and services produced by each firm is being taken, which will then be circulated to all the Chamber members. By local sourcing, it is hoped, more linkages will be captured within the kommune, improving the sales of the suppliers and perhaps the performance of the buyers, by reducing shipping time for orders (Itv., Salangen Kommune, Mayor).

Some such linkages have developed of their own accord through spin-offs from Dynoplast. A former employee of the plastic container manufacturer who worked as the factory's supply purchaser has set up his own supply company in the kommune. Dynoplast is still his main customer, but his firm is developing additional customers in the region. For Dynoplast, the arrangement is preferable. It has one less employee and another - local - company is now responsible for ordering, shipping and stocking supplies. The factory has had a similar relationship with a pre-existing electrical firm in the kommune. Dynoplast buys all its electrical supplies from the firm, which also employs the electricians who installed the factory's machinery and are on call to service it when required. Olav Foshaug, who was in charge of the factory until recently, was one of the promoters of the kommune's involvement with the Chamber of Commerce local sourcing project. He says that Dynoplast buys whatever it can locally, from stationary to the supplies and services listed above. Most specialised goods and

services, however, must still be imported from outside the region (8) (Itv., Dynoplast, Foshaug).

The Dynoplast experience does provide a couple of exceptions, nonetheless. The production process for Dynoplast's fish tubs and other plastic containers requires steel moulds into which the molten plastic is poured. As will be discussed below, additional shapes and sizes have been added to the product range since the factory was established. As a native of the region, Foshaug used personal contacts to contract out the manufacture of the moulds to a mechanical workshop in a neighbouring kommune. That workshop has since developed an expertise in the manufacture of moulds for plastic products and has expanded its production to export to Dynoplast's other factories in southern Norway and to other plastic product manufacturers (Itv., Dynoplast, Foshaug).

The other example of specialised services locating in Salangen is Foshaug's own research and development (R&D) initiatives since he left the direct employ of Dynoplast. This will be discussed in a separate section on R&D below, but as of June 1990, no actual production or exportable services had resulted. The firm producing the steel moulds is nevertheless an excellent example of specialised sub-contractors to large multinationals gaining some degree of independence by expanding their production to other buyers. The supplier and electrical contractor are also evidence of inter-firm networks of independent firms benefiting from sustaining relationships. The fact that Dynoplast is still able to extract concessions from various levels of government by threatening to close up its Salangen factory, however, indicates that insufficient regional specialisation has occurred for the branch plant to lose its dominance in the local economy.

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8 This is consistent with Sjoholt's view that while niches of advanced service production would be possible in peripheral communities, these would be more the exceptions than the general rule: 'Neither scale, scope nor networks will be sufficient to make most such establishments viable. The larger and more differentiated places will have both absolute and relative comparative advantages for location of such activities' (1989:9-10).

The experience of Furuflaten is a useful contrast with Salangen, as local firms emerged from a gradual process of spin-offs and specialisation, but almost always in ways which isolated them from each other in terms of production. The origins of Furuflaten's industrial success lay in the flat sandy beaches that are indicated in the town's name. During the period of post-war reconstruction, this sand - an example of a traditional locational resource advantage - provided the basis for three brothers and a fourth partner from the town to start making concrete bricks for building construction. This soon led to the establishment of a contracting company which erected buildings using its own products. A small wood products factory followed, making window frames, doors and staircases with wood imported from Finland. The company expanded further in constructing larger buildings throughout Northern Norway (Itv., Uponor, Technical Director).

As the operations of this company spread farther afield, it created a demand for a mechanical industry to service the trucks and other heavy equipment used. This demand was met locally, at least in part because of skills learned by some of the people evacuated to Sweden during the Nazi occupation (Itv., Lyngen Kommune, Consultent). The company's mechanical needs were met internally at first, but one of Ole Hamnvik's brothers and two partners, searching for a way they could service the existing company, set up a separate firm to which the mechanical company contracted out all its repair and servicing work. Throughout the 1950s and 1960s these companies expanded together with Northern Norway's building boom (Itv., Uponor, Technical Director).

Ole Hamnvik supports the general view that the success of the initial company in a small, isolated community inspired other residents to try their hand in business. In the 1960s, another brother of his, who travelled the world as a sailor, wanted to start his own business back home. He saw possibilities in plastics and studied their properties and applications while still at sea. Then he returned to establish a company manufacturing plastic pipe with his two brothers and their father. The brother who had helped found the mechanical servicing company contributed capital and business experience, and Ole Hamnvik brought his training as an

engineer. Their timing was impeccable as they started production just as the 1970s boom in municipal infrastructure expansion was taking off (ibid.).

In the meantime, the contracting company internalised its own repairs and maintenance again, after two of the three original partners in the mechanical servicing company died and Ole Hamnvik's brother decided to move into new activities. He found new partners in the community to start one company erecting steel fences and a second which erects steel buildings. The latter was bought out by its employees in the late 1980s. The plastic pipe manufacturing company was then taken over by Uponor, with Hamnvik's other brother leaving the company as part of the agreement. He has gone on to establish a plastic welding company that caters to the growing aquaculture industry (ibid.).

In all these changes, Ole Hamnvik explains, the goal was to establish separate companies to specialise in a limited field 'which we were good at'. If one area encountered problems, the other firms would not be effected. The original factory making windows and doors (now incorporating plastics), the fence company and the steel building company all serve complementary markets, with the contracting company often using their products in building projects, but there are few linkages in production or marketing. Although there are three companies working with plastics, in addition to Lyngen Plastfabrikk outside Furuflaten, they have specialised in applications that reduce their interdependencies (ibid.; Itv., Lyngen Plastfabrikk, Director).

The Furuflaten experience is thus contrary to what the flexible specialisation thesis would predict. It is significant that this industrial success without inter-firm linkages occurred within a kommune which paid little attention to economic activities outside the traditional primary activities. Now that the owner of Lyngen Plastfabrikk is deputy mayor, there is starting to be some interest in how to strengthen the existing firms, including those in Furuflaten. In co-operation with the private companies, the kommune is introducing a course in plastics for students who do not go on to high school who are interested in working in the

industry. It is also investigating the possibility of establishing a technical centre to conduct research and disseminate technical details of interest on plastics, and is looking into the potential of common marketing of the industry and the town (Itv., Lyngen Plastfabrickk).

Ole Hamnvik supports the kommune involvement, although he continues to be suspect of an administration that has shown little interest in the past. He maintains that since his company was taken over by Uponor, there have been benefits for neighbouring firms, even if they are not directly linked in production. Several of the firms have shared computer facilities in the past, although Uponor has since withdrawn from this arrangement because it has its own company system. Uponor does provide internal training in plastics for its employees, and while few workers move from company to company, Hamnvik maintains that knowledge is exchanged between them within the community through personal contacts (reminiscent of a Marshallian 'industrial atmosphere'). Similarly, he contends that he is able to draw on Uponor's resources to inform the other business leaders in the community of marketing and management techniques (Itv., Uponor, Technical Director).

Some of the latter do conform with the current emphasis on flexibility in the organization of work within the firm. As with most industrial employment in Norway, Uponor's workers are unionised, and according to Hamnvik, the company is co-operating with the union in introducing increased job flexibility. Workers are trained in all the aspects of the production process and move from task to task as conditions require. Hamnvik maintains that this makes the work more interesting for the individual employees and improves the company's productivity. It is ironic that the company is also introducing a quality assurance system which sets out a standard for every task: 'you must have a routine for all you do, and the system will describe what to do, who shall do it, and how to do it' (ibid.). How 'flexibility' such as this would improve job satisfaction is difficult to conceive. Although it was not examined in this study, it is possible that the production process in manufacturing plastic pipe is not conducive to increased employee creativity - or

to inter-firm linkages. If Uponor is acting as a mentor for the other firms in the community, it is unlikely that Furuflaten will evolve any further towards mutual dependence between firms, something the fledgling kommune initiatives will be hard pressed to reverse.

In Buchans, where industrial union traditions amongst former mine workers run deep, a version of manufacturing linkage more closely aligned with the flexible specialisation thesis is evident, with some of its negative and positive implications. The metal fabrication company, Steelcor, owned by a Newfoundlander and run by Sean Power, rents the Buchans Development Corporation's machine shop. Because of the isolated location of the Buchans mine and the use of old mine equipment, the machine shop had been required to repair or manufacture many parts that normally would have been re-ordered from elsewhere. Originally, skilled Swedish machinists were employed to run the shop, but they trained Newfoundland workers. A tradition of several families passing their skills from father to son emerged which continued until the mine closed. Steelcor has tapped this pocket of industrial tradition, and in two cases has used Community Futures funding to update skill levels in the use of new computerised machining equipment (Buchans Development Corporation, n.d.; Itv., Buchans Region Community Futures Committee, Co-ordinator).

Fulfilling the flexible specialization thesis in all its technological glory, Steelcor was awarded a contract by General Electric Aerospace of Syracuse, New York in January 1991 to manufacture radar components using computer controlled machining lathes. The provincial government provided a $1 million loan via ENL to Steelcor, and General Electric supplied the Buchan's-based firm with two 'computer numerically controlled (CNC) vertical machining centres' worth another million dollars, which Steelcor will own upon the expiry of the five-year contract. General Electric will have first call on the use of the machines to meet their order requirements, but Steelcor is free to use them to bid on other contracts. Already the company is competing for further defense-oriented contracts in the United States and Britain, as well as offering the only Newfoundland company capable of

providing the technological opportunities created by the state-of-the-art machines (Cox, 1991; Itv., Steelcor, Production Control Manager).

Crucial to General Electric's interest in Buchans is the federal government's procurement policies, which award points to bidders according to the degree of Canadian content in their production. Additional points go to companies with production in depressed regions of the country. General Electric is now in a competition with Westinghouse for a $100 million contract to update the Canada-US early warning coastal radar system. Steelcor's owner formed the company explicitly to bid on Canadian defense contracts because of the relatively small percentage of federal defense dollars spent in Newfoundland - a point often raised in complaints of central Canadian dominance. By sub-contracting work to Steelcor, General Electric earns bidding and political points. For Steelcor - and Buchans - this creates a dependence on Canadian defense spending which may prove as vulnerable as any public sector strategy in light of dramatic budget cuts for the Canadian armed forces announced in April 1991 (Itv., Steelcor, President).

Representatives of General Electric maintain that the Buchans contract has been signed for purely economic reasons, nonetheless, and there is evidence that this is not entirely public relations rhetoric (Cox, 1991). The Buchans components will replace those formerly produced at General Electric Aerospace's main factory in New York State. Sean Power explained that the New York factory has an expensive unionized workforce and low productivity. Workers there are being laid off as jobs go to Steelcor's non-unionized workforce. As mentioned above, Steelcor pays equal to or above union rates in Newfoundland - much lower than those in mainland Canada or the United States - which affords a comfortable standard of living in peripheral communities. Perhaps an even greater difference between Buchans and New York is the cost of overhead - office and warehouse space. Power contends that Steelcor's charge-out cost (which includes overhead and labour costs) of $35 per hour is half that of the New York factory. He notes that the rent they pay the Development Corporation would be equal to property taxes

on a similar factory in St. John's, not to mention rates in urban agglomerations on the mainland (Itv., Steelcor, President).

Steelcor's Production Control Manager has little doubt that the company will also be unionised if more contracts are won and the workforce expands. The current workforce of ten is expected to be able to operate all the equipment in the shop, and unlike Uponor's production process, the CNC machines will play a vital role in maintaining quality assurance levels without stifling worker creativity. A skilled CNC operator has been brought in from Ontario to carry out the initial prototype work and to train the Buchans natives who make up the rest of the workforce (Itv., Steelcor, Production Control Manager).

There is little doubt, then, that General Electric is using new production technologies to contract out work to - relatively - low-wage workers in a peripheral region to avoid strong unions in traditional industrial areas. For workers in Buchans, it is difficult to sympathize with unemployed workers elsewhere when their own homes, community and livelihood are at risk. Even with the strong union traditions of Buchans, regional identity and survival precede international worker solidarity, especially when they have no perception of exploitation. If Steelcor is able to win contracts independent of General Electric, it will reduce its dependence on the multinational, although there is no indication of related production facilities establishing in the Buchans region to begin the basis of a regional production system. If anything, flexible technologies and specialised manufacturing enable Steelcor to operate in an isolated region more than if they had to rely on the traditional organisation of production for such machine shops.

5.3.4 Research and Development

Steelcor's possession of CNC machines has also enabled it to carry out research and development work without a surrounding support structure. Another central Newfoundland firm, situated outside the Buchans region near Grand Falls, has developed a high-powered hose for fighting forest fires. Because Steelcor is the

only firm in the province with the required technology, that firm has contracted them to develop a prototype component for the hose. If that meets the company's specifications, Steelcor will produce the component commercially. While the Buchans operation does not possess the necessary design specifications, it can access these from a sister company under the same ownership, based in St. John's (Itv., Steelcor, President, Itv., Steelcor, Production Control Manager).

Dynoplast has had a similar experience in Salangen. Geographic isolation has not prevented it from conducting innovative research and development work that has been taken into production successfully. Indeed, Tonder sold Cipax on the idea of locating its production facility in the peripheral kommune so that it would be able to consult local fishermen on their requirements and problems in developing the product. Foshaug used his engineering and defense research experience to develop an R&D capacity in the Salangen plant, using design assistance from the company's main factory in southern Norway. By the mid-1980s, he had developed a research laboratory next to the main factory employing three people, including a draftsman and a mechanical engineer. Foshaug maintains that the unionised workforce that was hired locally has played an integral role in this work as well: 'If we described the problems we are having in the lab, and described the customer's needs, they've helped solve many complex problems' (Itv., Dynoplast, Foshaug).

Working in this manner, the Salangen plant has developed and produced specialised fish tubs adapted to the needs of the fishery in Britain and the Egyptian fresh water fishery. With the advent of the fisheries crisis, however, sales have plummeted and the research staff has been reduced to one. As mentioned above, Foshaug has resigned as manager of the factory, but continues to contribute to product development as a consultant. The plant is now developing prototypes to diversify from its dependence on the fishery. The defense industry offers attractive niches in plastic fuel containers, and Norway's tough environmental regulations are creating new product opportunities for non-corrosive fuel and chemical disposal containers. Other uses for plastics, such as road markers and

children's slides are even being investigated, taking the plant a long way from its original links to the fishing industry (ibid.).

The fact that Foshaug has resigned in order to remain in Salangen is evidence of some technical spin-offs from externally-controlled production. Salangen Kommune has not ignored the potential to build on this development. With financial support from Troms Fylke, the kommune has established a R&D company to pursue several technologically-oriented projects. Foshaug works with the company's two employees on research into plastic welding and on the use of waste plastics generated by Dynoplast. The company is also developing a computer software programme on kommune administration - for sale to other kommunes - and it is investigating applications of Computer Aided Design (CAD) in servicing companies located elsewhere (ibid.; Itv., Salangen Kommune, Mayor). Salangen Kommune obviously has developed its own expertise in municipal administration, but the other projects can be seen as an evolving regional production system emerging - with kommune assistance in this case - from a propulsive manufacturing industry.

Not all research and development in companies located in peripheral regions depend on links with external companies. Lyngen Plastfabrikk was established explicitly to cater to Norwegian environmental regulations. When the owner, Roger Hansen, learned of new laws being introduced to regulate materials used in oil storage tanks, he began to research alternatives to metal. Trained as an electrical engineer, he had little knowledge of plastics, but like the Furuflaten sailor, he did his own research and developed a product that now sells throughout Norway. Because Norway has taken the lead in such regulations, moreover, he is confident that his product will have the jump on competitors in other countries as their governments follow suit. Hansen sees himself as a true grunder, succeeding without specialised training and the support of large firms: 'all we need is people with ideas and willing to take a risk and have the will to carry it through'. The fact that national and kommune funds have contributed to his success does not seem to qualify this, in his opinion, and he supports increased kommune involvement in

training, technical support and marketing for the plastic industry (Itv., Lyngen Plastfabrikk, Director).

Not all North Norwegian R&D is concerned with plastics or catering to environmental regulations. In Vega, the kommune's development initiatives have centred on the fishery, often generating tension between developmental and environmental concerns. Under the Free Kommune Experiment, the kommune now employs a Chief of Environment, who often opposes the plans put into place by Floa and Svendsen. This is particularly the case with the salmon hatchery project, which will see Lake Floa used to raise salmon fry. Mayor Floa sees the new status of environment within the kommune administration requiring time to adapt to other kommune priorities, but it is clear that economic development takes priority for him (Itv., Vega Kommune, Economic Development Officer; Itv., Vega Kommune, Mayor).

It is ironic that concern over the environmental implications of introducing salmon to the lake is generating concern, as the project is seen as an alternative to aquaculture, which is facing growing opposition because of chemicals used and the dangers of raised salmon inter-breeding with wild salmon. Vega's fisheries research also involves biologists from the University of Oslo and a research institute in Trondheim examining the potential of farming the shallow sea-bed surrounding the island. This is a long term R&D project, which the kommune does not expect to see any commercial results from for at least five years. This innovative development strategy is exactly the kind of kommune involvement Svendsen sees as appropriate. By exploring new forms of fisheries and ocean activities, the kommune hopes to get the jump on other areas: 'being first makes all the difference; you are able to sell the product and the knowledge'. Western Norway had this advantage with aquaculture, and 'the last into the industry have been the first to go out of business', Svendsen contends (Itv., Vega Kommune, Economic Development Officer).

Officials with Nordland Fylke, nevertheless, are working to enable Northern Norway to catch up in aquaculture R&D. Working with kommunes, fish farmers and regional research institutes, the fylke has established three aquaculture R&D stations in different regions along the coast. These stations are intended to link the fish farmer with the latest technical and biological findings in the field, to enable testing of new procedures and technologies prior to commercial application and to provide 'a place where farmers can meet and develop an environment around knowledge about aquaculture'. One of the stations will also be equipped with a school for fish farmers (Itv., Nordland Fylke, Economic Development Consultant).

The fact that fish farms are spread along the coast where physical conditions are appropriate inhibits their ability to cluster for mutual advantage. Most kommunes are too small to encompass very many, so this is one form of production where the fylke - or some other regional body larger than individual kommunes - makes sense. It is significant that the fylke saw fit to include kommunes in the area of each of the R&D stations to be shareholders, gaining all the political and administrative support they have to offer in the process (ibid.).

Gaining the support of private-sector fish farmers was also necessary, of course. Not unlike the experience of the GNPDC with the Brig Bay consortium, the fylke encountered difficulty in getting many farmers to invest in the stations as shareholders because problems in the industry - technical and economic - severely limited their disposable incomes. The fylke also found that it was primarily small firms that were willing to co-operate in the stations. Large firms tended to conduct their own R&D and were unwilling to share their findings. The fylke was nevertheless able to involve about fifty firms in the three stations; about one-third the total in Nordland. There are also plans to expand the companies formed to investigate joint marketing initiatives. Unlike the GNPDC, though, the fylke sees its role strictly as a facilitator, maintaining majority control only until sufficient firms buy into the joint companies to diminish its percentage of shares. As the stations are fully operational and starting to show results, the fylke project co-

ordinator is confident more firms will get involved (ibid.; Itv., Nordland Fylke, Fylke Geologist).

As will be discussed in more detail below, Nordland Fylke politicians and administrators are involved in a co-operative council with the other North Norwegian Fylkes in areas of common concern. Dyrnes is hoping to expand the aquaculture R&D stations into the other fylkes (Itv., Nordland Fylke, Economic Development Consultent), although there is likely to be some disagreement with Troms Fylke over links with regional research institutes. As the location of the only university in Northern Norway, Troms Fylke officials tend to emphasize the need for the University of Tromso to take the lead role in any research projects. They feel that Nordland often does not acknowledge Tromso's dominant position sufficiently (Itv., Troms Fylke, Planning Chief). Yet, close ties to local research bodies enables more day-to-day contact between researchers and farmers, allowing a constructive two-way flow of information and ideas. While aquaculture is not conducive to local production networks, there are obvious advantages in having links as close as physically possible, while maintaining contact with higher level research bodies for findings achieved elsewhere.

This is a problem which has plagued marine research in Newfoundland as well. The provincial and federal governments have co-operated in designating St. John's as a Centre of Excellence in Cold Ocean Research, with the establishment of numerous world class institutes and facilities, in addition to Memorial University. Yet, for community colleges in rural areas, close to the fishing activities that ring the island, there is little local expertise or contact with the St. John's bodies (Itv., Lewisporte Community College, Principal).

The House Commission proposed a revised community college system, with greater regional autonomy and closer links to economic development requirements. Having its suggested Regional Development Boards coincide with these regions and include representation from community colleges was a means to enhance this link (Newfoundland, Royal Commission, 1986:317-24). By emphasizing the role of

Development Associations in this structure, however, the Commission - unlike the Nordland Fylke with its research stations - failed to recognize the need for the support of local political structures in implementing decentralized R&D, and economic development in general.

5.3.5 Joint-Service Facilities

One means for the local state to facilitate any combination of the inter-firm linkages identified in this Section is through the establishment of joint-service facilities. The best example of this is the Pasadena incubator mall. By providing new SMEs with subsidised rentals for set periods of time, shared secretarial and communications facilities, and access to assistance from a development officer on a daily basis, the incubator concept is intended to get firms through the difficult start-up phase until they are able to survive on their own (Town of Pasadena, The Venture Centre, Promotional Booklet). This 'incubating' approach is consistent with a free enterprise, grunder assumption that SMEs must ultimately 'stand on their own two feet' and survive as individual economic actors.

In practice, the Venture Centre did not succeed in setting independent offspring on their way, no longer requiring the support mechanisms of shared facilities. With Bill Pardy's success in attracting additional funding through all manner of entrepreneurial projects, he succeeded in cushioning his facility's entrepreneurs from facing continuing 'growing pains' on their own. By allowing firms to stay beyond the stipulated four-year period of subsidized rents, relationships started to develop because of the physical proximity of the various firms. In addition to the meat processor encouraged to start up to cater to local markets using agricultural products from the region, a small secondary seafood processing company went into business. Between them, a new product was developed combining the knowledge of both. Fish sausages have been marketed for several years as a joint product of the firms, and while they have yet to become an international best seller, they are an example of the synergy which can lead to product or process innovation with inter-

firm linkages. A further linkage developed between these two firms and the plastic bag manufacturer - while it was still operating. The food processing companies were able to have plastic wrapping tailored to the specific needs of their products, improving their quality and presentation while saving money on packaging (ibid.; Itv., Town of Pasadena, Economic Development Officer). What has happed to this advantage since the shut-down of Newfoundland Polybag has not been determined, but it is indicative of just one more example of the vulnerability of relying on outside capital.

As will be seen in the next section, the Venture Centre did focus on specific sectors, but no conception of inter-firm linkages was elaborated. Indeed, Pardy opposed any attempt to put restrictions on firms as to where they located when - or if - they moved out of the facility. He contended that success in economic development had to take 'an open ended approach'. The Venture Centre would not take out shares in firms to keep them in the community. His reasoning was that you could not 'lock in flexibility'; firms had to be able to move and adapt as they saw fit, and the onus was on economic development bodies to create an environment that was conducive to innovation, production and profitability (Itv., Town of Pasadena, Economic Development Officer).

Operation of the Venture Centre in the promotion and facilitation of new SME's was central to this process. Pardy recognised that the Venture Centre was unlikely to become economically self-sustaining if it was to continue to provide subsidised rentals, joint-services and economic development assistance. By itself, however, the Town was unable to provide this with its existing tax base. As long as the Venture Centre continued to be 'a net generator of funds for the Town', its operation would not be in jeopardy (ibid.), but as we have seen, the flow of funds from higher levels of government may be coming to an end, especially now that Pardy is not there to devise projects to dovetail with the latest development fashions.

Like the Buchans Development Corporation, the Venture Centre is now renting space for offices which have no propulsive characteristics, other than their contribution to keeping the bills paid, so that other firms can continue to take advantage of the services (Itv., Town of Pasadena, The Venture Centre, Acting Manager). The Buchans facilities, however, are not meant to act as an incubator, so there is a greater chance that if sufficient firms lease the available facilities and if the Corporation's own ventures succeed, it will become self-sufficient. For the GNPDC, the need to become economically self-sustaining in fact undermined its ability to operate a joint-service facility. As seen in the Nordland aquaculture research stations, it is conceivable that if joint-service facilities have an explicit sectoral concentration, the private-sector firms involved could take it over after the local - or regional - state has played a facilitating role. This removes the ability of the state to have any influence on the course of development, something even Pardy was not willing to do, and Simms with the GNPDC certainly would not accept.

The incubator concept is nevertheless gaining momentum in Newfoundland and Norway. One other town operates one in Newfoundland and the Lewisporte Area Development Association and the Gander Region BDC are planning them, with the - likely misguided - hope of having the same success as Pasadena in attracting government funding (Itv., LADA, Development Co-ordinator; Gander Area Development Corporation, Annual Report). In Vega, Eric Svendsen is familiar with the concept as originated in Britain. He contends that it offers far more potential in establishing a long-term structure for development than simply providing short-term funding to SMEs on the basis of applications received by the Development Office (Itv., Vega Kommune, Economic Development Officer).

The shared secretarial and communications facilities and subsidized rent implicit in the incubator concept are not crucial to the achievement of some of the linkages which accrue simply through spatial proximity of various production and service activities. In Salangen, Per Tonder used a serviced industrial site as a designated area for all manufacturing firms to locate. This was intended as much

to diminish competition between towns within the kommune for the location of new industries as it was to gain economies in the centralisation of infrastructure. He did the same in allocating all consumer services to the kommune centre. Recently, the kommune constructed a building for rental to various service firms, providing savings for the private firms on the cost of new building construction, and facilitating the benefits of a shopping district for the firms and customers (Itv., Salangen Kommune, Mayor).

5.3.6 Sectoral Strategy

Unless local economic decision makers consciously intervene to facilitate the establishment of inter-firm linkages in the ways outlined in this Section - joint marketing; producer services and manufacturing inputs; training, research and development; or joint services and physical proximity - these are unlikely to emerge of their own accord in a manner conducive to the creation of a regional production system. Changes in international markets and the organisation of production are providing some potential opportunities for peripheral regions to generate viable economic activity based on locally-rooted propulsive industries. In some cases, joint ventures with outside capital or integration within externally owned firms have provided the means to develop these capabilities, but always with the vulnerability that accompanies such dependence. The provincial and fylke governments have also intervened to generate inter-firm linkages, but sensitivity to local needs and conditions is almost always sacrificed as a result.

North Norwegian kommunes have intervened to varying degrees, as have the Newfoundland municipalities and local development bodies examined, but seldom with any over-arching conception of regional production systems to guide their intervention in the local economy. Even where in-depth economic development studies have been conducted by local development groups, there are seldom connections made between resource, service and manufacturing industries. With assistance from the provincial Department of RAND, the Lewisporte Area

Development Association conducted a survey of development prospects in its region. Forestry, fishing and tourism were identified as having the best employment prospects, but no consideration was given to manufacturing linkages (LADA, 1985:9).

Based on research in Norway and Spain, Nilsen has noted that resource communities operate according to a different dynamic than manufacturing regions, making it difficult to apply concepts such as flexible specialisation to them, although he did acknowledge that even in these areas large fishing companies were breaking into specialised units catering to niche markets (Itv., Nilsen, FORUT, Tromso, Norway). The House Commission identified problems with resource management as leading to constraints on inputs for related manufacturing (Newfoundland, Royal Commission, 1986:90-92). Development in Newfoundland's forestry sector is limited by the fact that 60 percent of the productive forest land on the island is controlled by two multinational paper companies, a fact acknowledged in the Greater Humber Community Futures development plan (Overton, 1978:111; Greater Humber Community Futures Committee, 1988:5). For the GNPDC, problems with availability of fish stocks undoubtedly exacerbated its efforts in Brig Bay. The fisheries development study conducted by David Simms in 1987, which led to the formation of the Development Corporation, outlined an integrated organisational and production plan. Harvesting, freezing and cold storage, marketing, secondary processing and aquaculture development were all accounted for. The plan also called for manufacturing of fisheries-related hardware and services (Simms, 1977:1-4,36-37,41).

The organisational and strategic problems encountered by the Corporation have prevented progress in any of these areas. An effort to circumvent the shortage of fish has been mounted by increasing emphasis on aquaculture. The Brig Bay plant is now being used to process mussels produced by local farms. Ready-to-serve mussels prepared in wine sauce are being packaged and test marketed, advancing an integrated fisheries strategy to some degree. At the same time, however, the

Central Development Association is pursuing its own aquaculture R&D initiative with a grant from the federal-provincial Rural Development Agreement. Even though it remains a member of the GNPDC, the Association will study the potential of raising fresh water arctic char without Corporation participation, diminishing opportunities for an integrated industry on the Northern Peninsula (NIS, Co-operation Agreement, 1 February 1990 ; Felt and Sinclair, 1990:10-11).

In Vega, the kommune has taken the lead in developing and implementing a long-term 'Integrated Fisheries Resource Improvement and Processing Plan', which encompasses all that the GNPDC plan talked about - and more. This sets out an integrated strategy designed to limit the constraints on development presented by the fisheries crisis and to link this with new ways of exploiting the resource. The salmon hatchery project in co-operation with the other South Helgeland kommunes, and the R&D project with the University of Oslo on sea agriculture, are designed to supplement available resource inputs generated by the traditional fishing fleet and the two salmon farms in the kommune. The salmon processing plant and the marketing project with the French businessman are two development activities already in operation. Two others are in the development stage: a salmon soup processing operation (developed in co-operation with researchers at the University of Tromso); and a seafood microwave snack (Vega Kommune, Internal Economic Development Report; Itv., Vega Kommune, Economic Development Officer).

The fact that this plan has been conceived by the local state - one with additional autonomy and resources because of the Free Kommune Experiment - has enhanced its implementation. In Newfoundland, in the rare instances where articulated development strategies are implemented by a much weaker local state, the legitimacy and authority democratically elected local government holds nevertheless aids translating strategy into action. As one of the first Newfoundland communities with a municipal plan, Pasadena had a headstart in establishing industrial parks and designating residential and business zones. But the Town, with Bill Pardy as mayor, went beyond this to set out the Pasadena

Economic Development Plan, which outlined the goals of the community on a sectoral basis (Pasadena Economic Development Committee, n.d.:10-16).

With the Venture Centre as a focus, the Town targeted food processing (to develop outputs from the region's agricultural and fishing industries), wood products (linked to the region's forest resources), plastics (to manufacture inputs for the fishery), and metal work (as a sub-contractor for the Corner Brook paper mill). As has been seen, progress was made in all but the last of these, and the sectoral concentration combined with physical proximity within the joint-service facility resulted in some new products and processes. It should be noted that this sectoral strategy was not entirely the original formulation of Pardy or the Town. In order to get federal support for the Venture Centre under the regional development programme of the time, the facility had to concentrate on manufacturing (Itv., Town of Pasadena, Economic Development Officer).

In Buchans, the Red Indian Lake Development Association received federal funding to hire a consultant to prepare an Area Industrial Strategy to guide the work of the Buchans Action Committee. As noted above, this combined the Association with the mineworkers' union and the Town Council. The main components of the strategy were the need to attract a 'core industry', such as the federal penitentiary, and for a development corporation to be formed to take over the mine assets. While numerous potential development projects were identified by the plan, no integrated sectoral orientation was outlined. A promotional brochure published by the Development Corporation explained that 'You won't have to make your ideas fit our plans. We can tailor the development climate to suit you and give you what you need to make your enterprise work'. Power and Ivany explained at the time: 'we have no sector strategy; we'll get whatever we can' (Itv., RILDA, Development Co-ordinator; Buchans Development Corporation and RILDA, Promotional Brochure, Insert:'Introducing the Buchans Development Corporation'; Itv., Buchans Development Corporation, Executive Director and Marketing Director).

Now that the Corporation has a couple of manufacturing enterprises operating within its facilities, it is able to see opportunities for spin-offs or ways to build on its strengths. The Corporation's takeover of Atlanticut and support for the dimension stone tile and brick operation is evidence of an emergent sectoral specialisation in rock products - an ironic coincidence for a former mining town. More indicative of potential inter-firm production linkages is a plan to develop a fresh water fish hatchery and farm, in co-operation with a Norwegian fish farmer who set up a similar operation in Prince Edward Island. A labour force skilled in salmon hatchery operations has been developed in the Buchans region because of a long-standing federal government salmon enhancement programme in the Exploits River. The Development Corporation hopes to dovetail this with Steelcor's operations in launching R&D and production for export of the steel cages and tanks used in aquaculture operations (Itv., Buchans Development Corporation, Executive Director).

The fresh water aquaculture project is still in the formative stages, but it is indicative of how sectoral strategies can emerge from development initiatives with little strategic orientation, but which develop potential inter-firm linkages as they evolve. Eric Svendsen argued that as much as long-term sectoral strategies were necessary to guide kommune development efforts, room also had to be left for individuals who have projects that do not fit the long-term plan. If they have the resources and motivation to start an enterprise, he argued, they should be supported in any way possible (Itv., Vega Kommune, Economic Development Officer). This suggests that direct local state involvement in economic enterprise - nowhere greater than in Vega - is not as incompatible with the flexibility Bill Pardy argued was necessary for economic development.

This is also an argument in favour of having local development agencies conducting their own economic analysis and conceiving their own sectoral strategies. Too often, in the Newfoundland cases at least, federal or provincial funding is received to develop local development plans, and outside consultants are hired. This has been the case with most Community Futures Committees

development plans. One Development Association representative on the Northern Peninsula Community Futures Committee complained that the funds used to hire an outside consultant could have employed a local co-ordinator. She queried: 'who's going to run the thing here, the people of the Northern Peninsula, or a bureaucrat in St. John's?' (Itv., WBNDA, Development Co-ordinator). Bill Pardy made the same complaint of the Greater Humber Community Futures Committee. The result of hiring a St. John's consultant, he noted, was a 'shopping list' of development possibilities, not a plan 'targeting regional commonalities' which can be built upon (Itv., Town of Pasadena, Economic Development Officer) (9).

By developing their own economic strategies, local development bodies maintain the flexibility needed for inter-firm linkages to evolve as unanticipated opportunities arise or innovations are realized. This, after all, is what development is: the state where economic actors are generating new linkages and creating new activities as they balance co-operation and competition in the evolution of regional production systems. Elliot and Marshall noted, on the basis of lessons from the WMEB in England, that 'strategy' is the opposite of piecemeal intervention, but it is also an evolving framework: 'intervention and analysis should proceed simultaneously, the one guiding and informing the other via an iterative process of research, intervention and evaluation within overall policy perameters'. Where external reports are commissioned, they should be treated as consultation documents, not as policy statements (1989:233,240). This is as much the case in third world development work as it is in the former workshop of the world (Varley, 1988:32,36).

In Newfoundland, the weakness of the local state has inhibited its ability to maintain sufficient administrative resources to adapt strategic intervention in this way. As long as Pasadena employed someone like Pardy, who was able to generate sufficient funds to fuel his own development plans, this weakness was circumvented. Similarly, the Buchans Development Corporation, by gaining

9 The Greater Humber Community Futures consultant's report even contains a recommendation that all proposals for development projects should include funding 'to undertake the work from a qualified consultant' (1986:43).

Community Futures support and earning significant revenues of its own, has been able to build on the early outside consultants report commissioned by the Development Association (Itv., Buchans Community Futures Committee, Chairman). For the Lewisporte Area Development Association, the provincially funded development survey mentioned above was essentially another make-work project. Two people were employed for seven weeks to conduct the survey, although the current Development Co-ordinator was not quite sure where the report they prepared with assistance from RAND was: 'it's packed in a box here somewhere; it hasn't been used, but there's a lot of material there, though' (Itv., LADA, Development Co-ordinator).

For sectoral strategy to contribute to the local state's economic development goals, feasibility studies and resource inventories must become living documents. As has been seen, local actors can have impact on their community's or region's economic prospects, but their efforts must be co-ordinated and sustained. Both technical competence and political power must be combined to maximize what little room there is for local intervention. Balancing administrative strength and political control, however, is as precarious as balancing co-operation and competition amongst private sector actors. A final consideration of the organisational requirements of local development can now take economic strategy into account.

5.4 Organizing the Local State for Economic Intervention

5.4.1 Administrative and Technical Staff for Development

As outlined in Section 4.5., the administrative strength of Norwegian kommunes is far superior to that of Newfoundland municipalities. Aarsaether has argued that even before kommunes employed designated economic development officers, their local administrative wherewithal enabled intervention in the local economy (1978a:6). In 1977, the national government recognized the increasing local state economic development role by appointing industrial consultants in fifteen kommunes on a trial basis (Hernes and Selvik, 1979:271). The year after, it issued a statement declaring that kommunes were free to conduct their own economic development initiatives - although it opposed direct kommune participation as shareholders in economic enterprises. It also indicated that no additional funding would be provided to cover administration. Yet, in 1979, funding was allocated to 30 peripheral kommunes to hire economic development officers for a two-year period (Larsen, 1982:12-13).

Prior to this funding being put in place, most kommune development officers were former mayors or mayors employed full-time on the basis that half their work would be on economic development (ibid.:237-38). Now economic development positions were being filled by graduates of university or college programmes in local development, increasing the likelihood of innovative and entrepreneurial activities (Aarsaether, 1978a:6-8). By 1986, over 100 Norwegian kommunes had full-time development officer positions, compared to fifteen a decade earlier (Bukve, 1989:99-100). In Lyngen, which has lagged behind most North Norwegian kommunes in innovative kommune development activities, the development officer position is still filled by a former mayor (Itv., Lyngen Kommune, Consultant). Eric Svendsen in Vega, by contrast, is a graduate of a college programme in local economic development (Itv., Vega Kommune, Economic Development Officer). Salangen also employs an economic development officer, but - following in the

Tonder tradition - Mayor Bendiktsen takes the lead in most initiatives (Itv., Salangen Kommune, Mayor).

Newfoundland today seems to be in the position Northern Norway was fifteen years ago. With a very few exceptions, any municipal development activities are conducted by mayors, who are themselves almost all volunteers. Pasadena was the only rural municipality with an economic development officer - until Bill Pardy left to work for ACOA - and in that case it was as a former mayor who created a position for himself. While running the AES project using federal funds, he was able to employ a staff of five people working in the Venture Centre (Itv., Town of Pasadena, Economic Development Officer; Pardy and Foote, 1989a:7). The Buchans Development Corporation has similarly been able to employ a staff of four using federal funds, but as noted, this is an independent body with no formal links to the Buchans Town Council (Itv., Buchans Development Corporation, Executive Director).

Both Corner Brook and Gander have their own economic development departments, but even in these cases staff were initially hired through short-term federal regional development funds. With populations of 22,000 and 10,000 respectively, however, they could afford to absorb the costs of maintaining development staff within the municipal administration (Itv., Greater Humber Community Futures Committee, Chairman and Corner Brook Mayor; Itv., Gander Area Community Futures Committee, Chairman and Gander Mayor). For smaller municipalities, what development work that is done is left to mayors who, in the case of Lewisporte Mayor Randy White, admit that they do not have the time or the expertise to do an effective job (Itv.), or it remains the exclusive domain of the Regional Development Associations.

The structural limitations of these voluntary associations have already been delineated. While the provincial government provides an annual administrative grant for each association to employ a Development Co-ordinator, it is difficult to attract trained staff to such low-paid positions. One west coast community college

teaches a two-year course in Community Studies, but this is tailored to the traditional needs of Development Associations - filling out applications for short-term funding (Clarke, 1981:30-31; Itv., WBNDA, Development Co-ordinator). With the GNPDC, David Simms was able to use the Development Associations as a vehicle for his own economic development agenda in much the same way as Pardy used the Town of Pasadena (with the exception that in the latter case, there was an elected Council that was able to ensure some degree of accountability for Pardy's initiatives). Using short-term programme funds from the federal and provincial governments, the GNPDC built up a staff of five, including a university business graduate and a biologist to develop the aquaculture industry (GNPDC, Newsletter, 2, No.1 (May 1988),7). The problem, of course, is how this staff will be maintained when the programme funds run out.

5.4.2 Coalitions for Development: Administrative Strength with Political Leadership

Larsen has argued that for peripheral Norwegian kommunes the number of development staff employed is still insufficient to conduct effective local development activities. He maintained that the most successful kommunes were those that were able to develop coalitions for local development combining kommune politicians, traditional administrative staff, economic development staff and local representatives of national agencies, such as the fisheries officer. These development 'teams' were together able to combine the jurisdictional authority, technical competence and personal networks necessary for successful local intervention. Together they formed a 'technocracy of the base' which could represent the territorial interests of the kommune against the functional specialists in national sectoral organisations and government departments (Itv., Larsen; Larsen, 1982:25-28; Larsen, 1983:20).

The experience of Vega conforms perfectly with these observations. Under the Free Kommune Experiment, the national fisheries, agricultural and forestry advisers have all been formally put under the control of the local state. While they

still must enforce national laws and regulations, they exercise all discretionary powers within terms set by the kommune-controlled Sub-Committee for Local Development (discussed below). Kommune and national development staff are now united within one building, bringing the local development team to a total of fifteen people. The rest of the kommune administration is also committed to using all its programmes for development purposes (Itv., Vega Kommune, Economic Development Officer; Itv., Vega Kommune, Kommune Manager).

Leading this structure as 'community entrepreneur' (Bukve, 1986:247), however, is Mayor Floa. Floa became mayor in 1976 and the position was made full-time the year after. He turned down the option of working half-time as development officer, because he wanted to commit the entire administration to economic development. He and the kommune manager have been regular attendants in conferences on development and municipal administration throughout Norway. Combining local coalitions with the individual initiative of the Tonder model, Floa - as we have seen - has also used whatever political connections were available on the national and fylke levels (Itv., Vega Kommune, Mayor; Itv., Larsen).

As important as all the other components of local development coalitions are, Larsen noted, the kommune mayor played the central role: 'he (or she) is the one who has the legitimacy which a politically elected position gives; he has the authority to commit the municipality in negotiations, and he will often be the person who represents the municipality when contact is made with government agencies at a higher level' (Larsen, 1982:29). As noted by Bukve, the mayor's authority to commit the kommune in negotiations was especially important in 'acquisition strategies', where economic incentives had to be provided to attract in outside capital (1986:244). This no doubt accounts for the almost single-handed development activities that continue to typify Salangen.

In Newfoundland, Community Futures Committees may resemble coalitions for development on a regional level, but as recipients of federal funds within a departmental programme, they are hardly in a position to oppose national

initiatives on behalf of the region. As Chairman of the Gander Region Committee, the Mayor of Gander maintained that one of the Committee's functions was to lobby federal and provincial politicians and bureaucrats for allocation of development funds for their areas (Itv.). Yet, as the Greater Humber Committee's development plan noted, effective lobbying depended on 'organizational resources to facilitate a unified approach and membership solidarity on important issues', and 'group credibility...in representing the local constituency' (1988:45). These would seem to be strengths possessed by municipal government far more than federal quangos consisting of competing regional interests.

Indeed, Buchans is a better example of a coalition for development in the Newfoundland context. By combining the miners' union, the Regional Development Association and the Town Council, the Buchans Action Committee was able to pool financial, leadership and administrative resources, along with the electoral legitimacy and authority of local government. The latter can not be underestimated, as Sean Power was always referred to as the Buchans mayor, not as the Development Association Co-ordinator or the Action Committee Chairman. Indeed, his political connections with the PC Party are credited with the designation of a Community Futures Area for such a - relatively - small region. Power had run for election as a candidate in a provincial election, and the party felt he was owed a favour. When Buchans lost out in the competition for a federal penitentiary, Community Futures designation was the consolation prize (Itv., Buchans Development Corporation, Executive Director and Marketing Director).

Bill Pardy's success in Pasadena was also largely due to political contacts and manipulations. While still mayor of Pasadena, Pardy brought the provincial cabinet to the Town to request permission to approach the federal government for financial support for an incubator mall - because local government is under provincial jurisdiction. Like Sean Power, Pardy had also been a PC candidate in a provincial election. By 1984, the federal and provincial governments were in a heated battle over fisheries and oil jurisdiction. The federal government was eager to implement unilateral development projects in Newfoundland and Pardy offered

the incubator mall as an ideal candidate. Provincial officials had little regard for municipal involvement in economic development and protracted negotiations were required before the province finally agreed to purchase the land for the mall, while the federal government funded construction under DREE. Ownership of the facility was turned over to the province, with a provincial-municipal board established to manage it. Because of opposition to the concept within the provincial bureaucracy, the management board seldom met, and when Pardy wanted to construct an annex he approached ACOA directly, the Town bought the land and owns the building (Itv., Town of Pasadena, Economic Development Officer; Pardy, 1988:Appendix A,2-3).

5.4.3 Problems of Politics and Overlapping Leadership

While such political manoeuvring is necessary for local actors to acquire sufficient resources to implement many development strategies, there are also dangers in having too much direct involvement by local politicians. Larsen observed that kommune councils seldom articulated explicit policy goals, as local politicians did not want to put constraints on their future actions (1982:15-16). As Svendsen complained in Vega, politicians - whether local or national - were too concerned with 'making jobs now', because of electoral time tables. Long-term strategy suffered as a result (Itv., Vega Kommune, Economic Development Officer).

Another potential problem identified by Larsen was that politicians were likely to revert to dependence on public sector job creation as more innovative strategies encountered problems. He pointed to the widespread support for Vega's initiatives during the window of opportunity created by the Free Kommune Experiment, but warned of 'sharks lurking' for the moment set-backs occurred (Larsen, 1982:29-30; 1983:31; Itv., Larsen). Where new public sector services and facilities can be established, they will no doubt be seized, as much for their contribution to the quality of life as to direct employment. In light of increasing fiscal austerity in the late 1980s and into the 1990s, however, it is unlikely mayors interested in

economic development will be able to revert to public sector employment as a job creation tool.

The short-termism and lack of over-arching policy goals of local politicians is nevertheless a real concern if coherent development strategies are to be implemented. This is particularly the case as the potential of undue influence by various business interests in local politics is considered. Hernes and Selvik argued that as the power and resources of local government increased in Norway in the 1970s, business began to pay more attention to the structure of kommune decision-making. They contend that the national government's introduction of industrial consultants in 1977 was done in response to a recommendation of the Norwegian Industrial Association. In five fylkes, along with the appointment of consultants, industrial councils were established with representation from the Industrial Association and local trade unions (1979:268-71).

Hernes and Selvik called these emerging structures local corporatism, and warned that with increased expenditure on social and economic development programmes, kommune governments had become too dependent on tax revenues from local firms. Local corporatism reflected the desire by business to reduce the uncertainty created by increased local discretionary power: 'the regulated want to regulate the regulators' (ibid.:267,269). Hernes and Selvik tended to apply the term corporatism to any involvement of business interests with local government, even where there were no formal decision-making structures, and no other interests - such as labour - represented. This tendency has been shared by other Norwegian commentators, such as Aarsaether, who applied it to the use of kommune resources 'in the interests of private entrepreneurs within the kommune territory'. He complained that in such cases 'it is difficult to get a clear picture of who are kommune representatives and who are the local industrialists' (1978a:9).

In Vega, the Sub-Committee for Local Development established under the Free Kommune Experiment has formalised the influence of local business representatives in ways which actually overshadow the power of the kommune

council. Prior to Vega's Free Kommune exemption from a total of eight national laws, decisions concerning fisheries, agriculture and forestry regulations and programmes were decided by political boards (one for fisheries and one combining forestry and agriculture) appointed on the fylke level. National fisheries, agriculture and forestry advisers working in the kommune reported to these bodies and applied national laws within policy frameworks set by the fylke boards (All information on Vega Free Kommune Experiment in this section from Itv., Vega Kommune, Economic Development Officer, except where indicated otherwise).

To enable the work of these national advisers to be more closely integrated with the goals of the kommune council and administration, Vega succeeded in having the political boards on the fylke level replaced by a sub-committee of the kommune council. This sub-committee is also responsible for economic development decisions formerly taken by the five-member Executive Board of the kommune council. The kommune council appoints the members of the Sub-Committee for Local Development according to party representation, which in 1990 meant that three were members of right-wing parties, three were from the left-wing and one represented the local party. Because kommune council members are already active on sub-committees for health, welfare and social security, education, and municipal engineering and administration, membership on the Sub-Committee for Local Development is chosen by the council from non-elected residents of Vega. The leader of the Kommune Conservative Party maintains that the initial plan for the sub-committee was to have it made up of council members, 'but the council wasn't big enough; the members didn't have enough time for all the meetings' (Itv.).

This was also seen as a way of gaining professional expertise for the sub-committee, by selecting representatives on the basis of business and industrial sectors - the fishery (processing and harvesting), agriculture, tourism and accounting. Territorial and union representation within the kommune was considered unnecessary. Most of the representatives are non-elected members of the party lists from the previous election. Four additional specialist sub-

committees, with three members each, have in turn been selected by this sub-committee, without party representation, to decide on technical matters in various sectors. Because these committees, particularly the main sub-committee, deal with issues that were formerly controlled on the fylke level and by the Kommune Executive Board, it can be argued that these non-elected appointees have more power than the kommune council itself. As the sub-committee decides on applications for grants and loans, building and business permits and the like, these are considerable powers, which the kommune council is not able to over-rule.

Eric Svendsen contends that while the kommune council and administration are unable to determine specific decisions made by the sub-committee, they nevertheless have several means to ensure that kommune goals are met. The most basic of these lies in the council's power of appointment. If the sub-committee consistently rules on cases contrary to how the kommune wishes, members can be replaced or the entire sub-committee re-constituted. While the sub-committee decides the merits of specific cases, the kommune council sets the over-arching policy framework which guides those decisions. To ensure that the policy framework is related to specific cases, Mayor Floa serves as chairman of the sub-committee - the only elected member - and Eric Svendsen acts as Chief Administrator for it, thereby ensuring that 'the advise the sub-committee receives fits the needs of the kommune'.

Thus, while the sub-committee maintains the power to decide on cases the kommune has no ability to change, kommune economic development strategy guides those decisions. With the exception of decisions formerly made by the kommune Executive Board, moreover, these powers were, prior to the Free Kommune Experiment, held by a fylke committee which the kommune had no power to influence. As seen in Chapter 3, sectoral policies have significant territorial implications, especially resource sectors in peripheral regions. The establishment of the Sub-Committee for Local Development in Vega goes some way towards providing local control of sectoral development policy, and provides

some means of integrating the various sectors within the context of local needs and conditions.

This does not diminish the fact that unelected private-sector appointees are in positions of influence where this new local control has been won. No accusations of personal or business influence in sub-committee decisions were reported while this research was conducted in Vega. Individuals affected by sub-committee decisions maintain the right of appeal to the Fylkesmann where national laws and regulations are concerned. In over two years of decisions, none had been appealed. Svendsen noted that when decisions were made by local committees in small communities, especially regarding grants and loans, 'it is not easy to say no, when you know everyone will know who said no'. This might be a problem for politicians seeking re-election, but for business people it likely acts as a restraint on abuses, as there is little that is not public knowledge. Moreover, for the kommune as a whole, gaining greater authority over their own affairs created a desire 'to show that the local, municipal level could make as good decisions as people at the fylke or national levels, in how to manage our area'.

The relative scarcity of leaders within small communities, witnessed in the necessity for Vega to appoint non-elected citizens to the sub-committee, is even more severe in rural Newfoundland where municipal councils are much smaller than those in Norway. That is, where there are elected councils at all. As has been seen, in the absence of a strong local state in Newfoundland, a plethora of local development bodies and institutional forms has arisen.

On the Northern Peninsula, the Chairman of the GNPDC complained, the same people seemed to occupy the positions on all community groups, while others 'sit back and complain about those who are involved' (Itv.). The President of the SBDA maintained that apathy was the main problem facing voluntary groups such as theirs. If the actions of the 'one-tenth' of the population who do everything for the rest are not supported, they just keep doing it, because no one else cares enough to challenge them (Itv.). In many cases, the co-ordinator of the WBNDA contended,

business people make up the leadership on all organisations other than the development associations, leading to 'conflicts of interest at every step' (Itv.).

Calls for municipalities to be governed by conflict of interest legislation have been made in Newfoundland (Gushue, 1989c), but most see local government as being too weak to have much opportunity for abuses, particularly in rural areas. Where organisational memberships overlap for bodies allocating regional development funds, however, opposition is likely. While mayor of Buchans, Sean Power was successful in creating a coalition for development to gain control of the mine assets and attract Community Futures funding, but once the Buchans Development Corporation was established, along with a Community Futures Committee, lines of accountability and communications became confused (Itv., Buchans Development Corporation, Executive Director and Marketing Director).

At a regional level, the close ties between the two new bodies led to accusations that Millertown and Buchans Junction were being ignored (Itv., Buchans Region Community Futures Committee, Co-ordinator). More damning were the conflicts within Buchans over job allocations mentioned in Section 5.2.7.2, and concerns over conflicts of interest within the organisations. At one point, nineteen people accounted for the twenty-eight committee and board positions filled at the time. Two people (Power and Ivany), served in three organisations, and four other people served on two. The secretary of the Community Futures Committee was also an employee of the Buchans Development Corporation. As such, he was involved in decisions with the former as to whether to fund the latter, and actually signed cheques which paid his own salary. An independent auditor later found that no wrong doing had ever taken place, but the perception of conflicting responsibilities nevertheless undermined community support. Complaints were also made that people holding several positions were unable to represent either group adequately. People in one group were assumed to know what the others were doing, so no one actually communicated what needed to be known (Itv., Buchans Development Corporation, Executive Director; Itv., Buchans Community Futures Committee, Chairman; Itv., RILDA, Development Co-ordinator).

Prior to any businesses starting up in the Corporation buildings, community morale had reached a point where Sandy Ivany pleaded for residents to stop 'the mean, malicious lies that are spread to hurt individuals or to ruin character', and for more people to get involved in the various organisations (1989:12). The start-up of Steelcor and Atlanticut helped increase public support for the Development Corporation, and the overlapping memberships diminished as the Town Council dropped its economic development role - with the resignation of Power as mayor - and the Development Association returned to make-work projects. The existence of four formally separate organisations concerned with varying aspects of economic development nevertheless continues to disperse available leadership and administration, and confuses communications and accountability (Itv., Buchans Development Corporation, Executive Director; Town of Buchans, Acting Mayor).

Eckstein has argued that the inclusion of non-elected citizens on kommune sub-committees in Norway improved participatory democracy, by enabling more people to have a direct say in how the community is governed (1966:139-40). When such participation involves business people making decisions concerning local economic development, however, the concern is that such participation is not altogether desirable. As seen in the Buchans experience, individuals do not have to be members of the business community for the risk of conflicts of interest. The question then is: how to gain the accountability of elected representatives, along with their political contacts and leadership skills, without the problems of short-termism and abuse by business interests?

5.4.4 Development Corporations and the Local State

If the local state is to create economically sustainable jobs within western capitalist countries, a distinction must be drawn between unwarranted interference by business interests in public policy, and public policy which aims to create conditions conducive to business activity. While condemning the control of kommune resources by local industrialists implicit in local corporatism - as applied

by some Norwegian scholars - Aarsaether conceded that it can be 'difficult to sort out public from private interests, as increases in profits may easily be combined with an increase in local employment' (1978a:10). Spilling also argued that public and private interests coincided concerning local economic development. He maintained that 'some kind of joint activity may be preferable', in light of 'the increased complexity of technology and markets', which made it necessary to 'organise resources more efficiently'. 'In a mixed economy', he suggested, 'the role of public authorities pursuing economic measures is very much aimed at promoting the development of private enterprise' (1985:29).

The dangers and vulnerability caused by uncritical promotion of SMEs and investment by external capital have been delineated above. Without local initiatives to facilitate the formation of rooted regional production systems, private profit and public benefit can be diametrically opposed. The possibility of local state facilitation of inter-firm networks - between private capital, co-operatives and other forms of collective enterprise, and firms involving direct participation of the local state - suggests that private profit and public benefit are not necessarily mutually exclusive.

Aarsaether also noted that there was nothing to stop local industrialists from running for local government office (1978a:9). This has been the case in Lyngen, where the owner of Lyngen Plastfabrikk, Roger Hansen, is Deputy Mayor. The fact that Hansen's firm received an industrial site and loan guarantees from the kommune, with the kommune maintaining shares in the firm, would suggest a clear conflict of interest. Yet, it is Hansen who has initiated - for the first time - kommune involvement in offering a training programme in plastics, and consideration of establishing a technical institute and joint marketing for the kommune's plastics industry. Hansen maintained that it was his job to educate his fellow politicians, most of whom were farmers or fishermen, on the need to support local industry (Itv.).

In Furuflaten, where local industry has prospered without support from the Lyngen Kommune council, Ole Hamnvik agrees that the lack of business experience of kommune politicians has hindered the development of more co-operation between firms in the town. While they have survived to date, he sees problems on the horizon with the loss of transportation subsidies and the possibility of EC membership. 'Maybe it could have been even better if we had a better relationship with the kommune', he wondered, suggesting that political contacts on the kommune level might have aided their relations with the fylke and national governments (Itv., Uponor, Technical Director).

For the relationship to improve, Hamnvik maintains that the kommune must employ an economic development officer with business as well as government experience. The businesses of Furuflaten had recently held a meeting with the kommune council and administration to improve their relations, but Hamnvik claimed they 'could not establish a dialogue': 'What I find when you meet people from government - central government or from the local government - they are very often well educated, but without experience from within industry...they know everything but can do nothing...we aren't speaking the same language'. He suggested that some form of 'strong industrial working group within a certain area' could provide the co-ordination necessary, 'but it is very difficult...we have tried'. If local government was to provide this function, 'we would need supporting type of politicians, not the controlling type'.

In Vega, Eric Svendsen disagrees with Hamnvik's view that economic development officers must have business experience. He maintains that his job is to help establish the structures needed by private businesses, and let them 'make the results'. If he knew how to run a business, that's what he would do. Instead, he needed to be a generalist to provide advice on government regulations and funding programmes, provide building sites or pre-built factories, maintain municipal infrastructure needed by private business, assist businesses with marketing and provide the information networks to gain expertise in specialist areas when needed (Itv., Vega Kommune, Economic Development Officer).

However, Svendsen added that to do this job effectively, kommune development officers needed to be separate from government so that they could 'fight against government for grunders'. At the same time, the local development office needed 'to have the strength that comes from being part of government', and should have the contacts to reach compromises on the inside. Svendsen identified having the development office in a separate building from other government offices as being sufficient to achieve this balance between having the power of the state and the autonomy to work on behalf of local business without being perceived as being part of the bureaucracy (ibid.).

The opposition leader in Salangen, although supporting the economic development work of mayor Bendiktsen, similarly saw the need to 'work with business people outside politics'. His proposed solution was to establish 'an independent economic development council', with power and money provided by the council (Itv.). Such a body has been established on the flyke level in Nordland. The Centre of Business Development was formed as an amalgam of several national and fylke business advice and technical information centres. The fylke originally intended for the Centre to come under its control, just as any other part of the Nordland administration, but the Storting refused to authorize funding unless it was earmarked for support to SMEs. Consequently, the Centre is completely independent of the Nordland Council, with its own professional board of directors - none of whom are politicians - and with a mandate to assist SMEs with business planning, financial assistance, product development and marketing (Itv., Centre of Business Development, General Manager; Centre of Business Development, 'New Goals').

Because of its independence from the national and fylke bureaucracies, the Centre is able to take a more active role in the businesses it assists, often taking out shares which it sells when the firm is considered well established. Such direct involvement in business operations is more specialised than Svendsen saw his role (although in reality, as we have seen, the economic development officer in Vega is often intimately involved in running private companies which the kommune has

invested in). Accordingly, it is appropriate that the twelve staff of the Centre all have business experience. This meets Hamnvik's criteria that development officers be able to 'speak his language', but it is unlikely that he would favour such direct intervention in his business affairs. His preference was for support more in line with the 'structures' Svendsen wanted to create. By existing as a completely separate body from the Nordland Fylke, moreover, the Centre of Business Development has found itself isolated from the fylke administration, which often has independent dealings with the same firms (Itv., Centre of Business Development, General Manager).

In Newfoundland, because municipalities are so limited by provincial legislation and regulations, Development Corporations are often considered as a way to intervene more actively in the local economy. Corner Brook established such a body in 1972 as an arm of the city council which could borrow money and participate in land transactions that would have been prohibited for the municipality. The mandate of the Corporation was set by the council, two councillors were on its board of directors and the Corporation's managing director was a municipal employee. When mayor Pollett came into power, though, the Corporation slipped into disuse and a development department was established within the municipal administration (Itv., City of Corner Brook, Economic Development Officer).

Mayor Pollett did not explain why he favoured internal control, although he acknowledged that a Development Corporation had the advantage of distance from the City Council and administration. 'People don't always want City Hall to know their business' he noted, adding that 'a development corporation can be separate' (Itv.). Judging by the way Pollett hand picked the members of the Greater Humber Community Futures Committee - by their individual attitudes rather than who they represented - having a body attached to his own council which he was not in complete control of was likely reason enough to internalise local development.

The same reasoning has prevented the Gander Town Council from establishing a Development Corporation, even though it would provide the means for the 'Fish Trans-Shipment Facility' it wants to establish. The current mayor of Gander was in fact one of ten Gander businessmen who invested $1,000 each to form the Gander Development Corporation in 1965. This was one of the first initiatives taken in the town to study ways to compensate for declining air traffic. That body gained federal funding in the 1970s and has most recently become the Community Futures BDC (Itv., Town of Gander, Mayor).

The proposed trans-shipment facility would see the construction of cold storage and freezer facilities at Gander airport, to enable fish processors within a one hundred mile radius to ship fish by air to international markets. The town has generated the support of the processors, and is negotiating with the airlines, but because of provincial restrictions it can not take out shares or issue bonds to raise the necessary funds. The town's economic development officer noted that a Development Corporation linked to the council could solve the problem but 'the council hasn't been willing to transfer its economic development powers' (Itv., Town of Gander, Economic Development Officer; Town of Gander, 'Trans-Shipment', Internal Planning Document).

Just as the local state depends on higher levels to transfer or devolve financial resources or capacity and jurisdictional responsibilities, the establishment of local development corporations linked to local government depends on a transfer of resources and responsibility. Unless those with power and resources are pressured to give some of them up, or see potential benefits in doing so, devolution is unlikely. In Vega, the kommune council saw the Free Kommune Experiment as an opportunity to gain more control over national programmes and policy, if they accepted a more indirect influence over decision-making. Svendsen reported that once the politicians agreed on the benefits of the strategy, they accepted and worked with the new system (Itv., Vega Kommune, Economic Development Officer).

Resistance has been much greater within the sectoral bureaucracy. Although the national advisers are now located in the same building as the kommune economic development office, they are reluctant to accept a completely integrated approach to development. The national agricultural chief, with what seemed like wishful thinking, suggested that they would probably go back to the old divisions when the Free Kommune Experiment was over (Itv.). Mayor Floa accepts that it will take time before agricultural officers will be willing to consider the implications of their decisions on the tourism sector, but a holistic view of local development was the only way, even if 'in some cases it takes new people' (Itv.).

Svendsen also explained that the formalisation of administrative linkages had left some people out of the integrated decision-making structure. With informal coalitions for development, people who were truly committed to joint projects took part, and coalitions could change over time or from project to project (Itv., Vega Kommune, Economic Development Officer). In formalising the 'strength of weak ties', some avenues of information and linkage were undoubtedly lost, but by consolidating them under the indirect control of the local state, political and administrative resources and personnel - always in short supply in peripheral communities - were pooled and subjected to local accountability. The Buchans Development Corporation and the GNPDC, operating in an institutional environment which promotes the co-existence of federal quangos, voluntary bodies and municipal structures, continue to fail on both counts. If public apathy and federal and provincial systems of patronage prevail, it is hardly surprising - institutional chaos does not promote civic responsibility.

Whether local development corporations are composed of appointed professionals from the local community, or are an arms-length branch of the local state bureaucracy, the problems of electoral short-termism and conflict of interest would be reduced. Whether to employ staff with business experience or generalists is not an either/or question. Depending on the development strategies undertaken, people with direct business experience may bring crucial advantages. Establishing joint-service facilities, marketing consortia and providing financial planning

clearly would benefit from specialised business knowledge. This could also be achieved by having information networks - via computer links - with higher levels of government or private consultants. The facilitation of inter-firm networks would generate its own 'technocracy of the base', as people in co-operating businesses brought their own knowledge and experience, as well as a vested interest in success, to the initiative.

Another means to access specialised knowledge, and incorporate a range of community interests in devising economic strategy, is through advisory councils. Corner Brook and Pasadena both have economic development committees including elected councillors and appointed business representatives. Corner Brook's committee also includes representatives of organised labour (Pasadena Economic Development Committee, n.d.; City of Corner Brook, Economic Development Officer). Although they do not have any formal power or independent resources or administration, these bodies provide advice to the elected councils that can not be ignored because of the status of their members within the community. If established as truly corporatist bodies, including representation of varying - and conflicting - segments of the community, this could be a means of ensuring that economic strategy reflected more than just the strongest or most active groups.

Community Futures Committees attempt to achieve this type of sectoral representation in some cases, but the territories covered are simply too large for divergent interests to see much commonality of purpose. Determining what size area is most appropriate for the implementation of local development strategies, while accommodating the need for accountable decision-making and participatory democracy, is perhaps the most difficult balance to achieve in considering local development agencies. There is no universally applicable 'correct' formula, but a final analysis of the significance of territory in the Newfoundland and Northern Norway cases can point to some 'necessary variables' that present both constraints and possibilities on local development strategies.

5.4.5 Balancing Territory, Function and Democracy

Section 4.8.5 discussed the difficulty in having the political and administrative geographic boundaries of the local state coincide with a common sense of identity amongst residents of the area. The area covered by the GNPDC and most Community Futures Committees, as well as large kommunes such as Tromso, were seen to encompass distinct sub-regions of interdependent communities which had conflicting interests with other sub-regions within the territory, or felt that their interests could not be adequately served by the over-arching organisational structure in place. In the case of Salangen and Lavangen, which are part of the same local labour market area, a kommune divorce took place because the latter opposed the concentration of services and industries within the boundaries of the former.

In most Newfoundland municipalities, individual political and administrative units are too small to have sufficient resources to provide adequate municipal services, not to mention economic development activities. Yet, recent efforts to force municipal amalgamations of neighbouring communities have been, in most cases, opposed. Voluntary amalgamations have occurred in the past, voluntary regional councils operate as a means of municipal co-operation, and the majority of elected councillors are in favour of a separate tier of regional government, but existing political units are not willing to give up their political autonomy - however limited in effectiveness - unless or until they decide the time is right of their own accord.

As 'partners in service', the fylkes have no authority to control or over-rule kommune councils. To facilitate their regional development goals, however, they do encourage co-operation between neighbouring kommunes. While the centralisation and concentration policies of the immediate post-war period were replaced by decentralisation to the level of individual kommunes in the 1970s, economic restraint in the mid-1980s has led to the designation of seven regional centres in Troms Fylke. Each kommune still has its own designated centre, but where kommunes are located close together, fylke resources are concentrated on a

single centre serving several kommunes. The Planning Chief with the fylke suggests that another five to ten such centres should be designated for local labour market areas to be adequately represented. In time, perhaps the current twenty-five Troms kommunes would be replaced by twelve or fifteen, while existing kommunes would retain powers similar to 'what you have in Canada, the same small governments around the community'. Unlike the Newfoundland government's amalgamation effort, however, 'we let the people in the kommunes decide themselves...they have the responsibility to make these decisions' (Itv.).

As has been seen, the kommunes of South Helgeland in Nordland fylke are doing just that. The joint salmon hatchery project between the five kommunes is just the latest in a history of shared public services and co-operative development efforts. Promotional materials list the sectoral strengths of each of the kommunes, but Bronnoysund is emphasized as the common regional centre ('Welcome to South Helgeland', Promotional Brochure). Mayor Floa believes that the five will ultimately unite as a single kommune, but it is being allowed to evolve: 'it is a question of letting time organise change'. Rather than having the Storting announce kommune amalgamations - as it did in the 1960s - 'they can use money, use resources building up transportation structures, and they can motivate more and more togetherness in more and more areas, and maybe at some point ahead of us, maybe the people here will demand to make one kommune' (Itv., Vega Kommune, Mayor).

Just as kommune initiatives to generate inter-firm linkages must develop trust to enable co-operation and competition to co-exist, so Floa recognized that co-operation between neighbouring kommunes could not be forced. Crucial for him in accepting Bronnoysund as a common regional centre was the creation of adequate communications and transportation facilities. As long as improved ferry services enabled Vega residents to commute to services and employment in the centre, they could maintain the benefits of living on their 'historic' island, with its own cultural strengths and family homes, and also enjoy the advantages - cultural and economic - of proximity to a larger centre (Itv.)

The significance of transportation links in establishing economic interdependence and a sense of regional identity between distinct geographic communities should not be underestimated (McKenzie, 1981:153-58). As observed by Cato Wadel (cited in Section 4.8.5.), the establishment of regional high schools and hospitals that followed road connections between Newfoundland outports, fostered the emergence of interdependent communities - a 'broader but still small area concept of community' (1969:122-23). The Regional Development Association areas designated by the provincial government in the early 1970s, in co-operation with the emergent voluntary associations, reflected this new sense of regional community. The Whalen Commission and the 1980 Economic Council of Canada report, entitled From Dependency to Self Reliance, also proposed a revised conception of sub-region in the province - the former political, the latter economic (Newfoundland, Whalen Commission, 1974:484; Economic Council of Canada, 1980:16-18,156). But no effort has been made in the Newfoundland context to consider how the political and economic should be combined for local development.

The House Commission discussed the basis of 'central place theory', noting that the provision of various goods and services is economically justified by certain population thresholds. But it contended that the degree of centralisation in Newfoundland was greater than it needed to be. More services, particularly in the public sector, could be decentralised to smaller regional centres and still be economically viable. The Commission Report cited observers of 'the European and North American experience' who emphasized the importance of strong local and regional government in this regard, but once again the fact that 'local government is weak and underdeveloped' in Newfoundland prevented the Commission from pursuing this avenue further (Newfoundland, Royal Commission, 1986:356-58).

Yet, the consideration of 'appropriate' levels of decentralisation is an explicitly political process, not least because of the politics of transportation. It is no coincidence that road construction and paving is one of the main forms of political reward for Newfoundland districts which vote for the party in power. On the Great

Northern Peninsula, where the construction of the first highway was described as creating a 'new way of life' by ending years of 'total isolation' (Section 3.2.), road construction and paving still shape regional identities and opportunities. St. Anthony is lobbying for a new road to Mainbrook on the east coast of the peninsula, to enable easier access for residents there to St. Anthony shopping and services. For Mainbrook's neighbours, Roddickton and Englee, having their existing road to Plum Point paved is the priority, and they are opposed to the St. Anthony link until that is completed (see Figure 5) (Itv., Town of St. Anthony, Mayor).

The clearest example of the politics of roads in Newfoundland is the ongoing effort by Buchans to have an existing logging road to the west coast upgraded to a paved highway. This was one of the first objectives of the Buchans Action Committee, as it would transform Buchans from a regional cul-de-sac into a stop-over on what would become the shortest route across the island. For the communities of the political district of Green Bay, however, a new route would have isolated them from the main trans-provincial traffic. As Premier Peckford represented Green Bay, approval for such a route was out of the question, and to maintain his close PC connections, Sean Power dropped the plan. The election of Clyde Wells did little to improve Buchans' prospects, as the new Premier represents one of Corner Brook's districts, which would also be cut off by the proposed highway. A compromise proposal is now being discussed, with a road connecting near Deer Lake, by-passing Green Bay but not Corner Brook (Figure 5) (Itv., Buchans Development Corporation, Executive Director and Marketing Director; Itv., Buchans Region Community Futures Committee, Chairman; Itv., Greater Humber Community Futures Committee, Chairman and Corner Brook Mayor).

In Northern Norway, where commuting has been identified as an alternative to migration, transportation links to regional centres are of crucial significance (Batevik, 1989). As has been seen, Vega has used all its political links to the national level to gain successively improved ferry connections to Bronnoysund. For Svendsen, a commuting time of forty-five minutes from home to workplace is the

maximum people will accept. By measuring access to a regional centre by time rather than distance, the kommune has enabled improved transportation technology to narrow its sense of peripherality and open new economic opportunities for Vega residents (Itv., Vega Kommune, Economic Development Officer).

For Sommaroy and Lyngen, gaining shorter access roads to Tromso are key development strategies. The construction of a bridge linking Sommaroy island to neighbouring Hillesoy in 1971, 'transformed the two hitherto separate localities into one'. By 1978, the construction of another bridge enabled residents to drive to Tromso in approximately one and a half hours (Marciniak, 1988:10,14-16). The community committee is now lobbying the kommune and fylke for a new road which would reduce the trip to Tromso airport to about forty-five minutes, not only enabling daily commuting to Tromso, but allowing industries to develop in Sommoroy which could benefit from closer links to the airport and businesses in the regional centre. Tourism to the fishing community would also benefit by offering visitors a round trip excursion without having to travel along the same road twice (see Figure 8) (Itv., Sommaroy Community Committee, Chairman).

Because Lyngen is the southernmost kommune in North Troms, it emphasizes its links with Tromso while trying to maintain the tax benefits of being in the north. The shortest route from the centre of Lyngen to Tromso still requires a short trip by ferry, and covers some 130 kilometres. The kommune is now lobbying for a new route that would be half the distance, without need of a ferry. At approximately an hour drive, it would bring the kommune within daily commuting distance according to the Lyngen Mayor, and Hansen with Lyngen Plastfabrikk is a strong proponent. For the industries of Furuflaten, however, this is just another example of the kommune ignoring their needs. Even though Furuflaten is connected to the kommune centre by a 3.5 kilometre tunnel, it is on the other side of the kommune peninsula and would not benefit from the new road, which would take just as long as the fastest current route for them to Tromso (Figure 8) (Itv., Lyngen Kommune, Mayor; Itv., Lyngen Plastfabrikk, Director; Itv., Uponor, Technical Director).

The chances of either Sommaroy or Lyngen getting their improved road links are diminishing with increasing fiscal restraint. The Planning Chief with Troms Fylke noted that maintaining existing roads in North Norway is absorbing entire transportation budgets. Because of the risk of avalanches on many roads, the fylke is having to spend money on safeguarding those already built. If new links could save money in the long term, however, by connecting peripheral kommunes into regional production systems, short-term expenditures might be justified. He noted that a tunnel was being constructed in North Troms to link the four kommunes there - excluding Lyngen - to a shared regional centre (Itv.).

What constitutes a 'central place' is thus relative to the balance of political forces and recognition that in peripheral regions, transportation links can bring dispersed populations to regional centres, rather than attempt to decentralize jobs and services to isolated communities. In this way, the potential benefits of physical proximity for generating inter-firm linkages are not diluted any more than necessary to maintain peripheral populations. As stated by the Conservative leader in Salangen, existing kommune centres could continue to provide services required by every community, but with economic development activities focussed on regional centres defined by drive-to-work areas, economically viable employment could be created 'and you could still live in your own beautiful town or fjord' (Itv.). Where an individual community does not dominate an area already, designating a centre will involve political conflict, but as acknowledged by Aarsaether, such 'internal centralisation can be regarded as a low price to pay' if kommune survival can be ensured (1978a:4)

Uniting local government units on a regional basis also diminishes opportunities for business to play one municipality off another in attempting to extract incentives. If regions are larger than the locality, however, co-operation is limited to those sectors or industries which transcend 'local' interests, or else competition continues between communities in the location of specific enterprises. In western Newfoundland, five municipalities stretching 270 kilometers from Port aux Basques to Deer Lake co-operate in regional economic promotion, but once a firm

has been attracted they compete over its actual location (Itv., City of Corner Brook, Economic Development Officer). Similarly, the Greater Humber Joint Council, which extends from Corner Brook to White Bay, avoids direct economic development activities because of competition between its member municipalities (Itv., Town of Pasadena, Mayor).

For the Greater Humber and Gander Region Community Futures Committees, the primary focus must be on the industrial 'lowest common denominators' - the fishery, forestry and tourism (Itv., City of Corner Brook, Economic Development Officer; Itv., Town of Pasadena, Economic Development Officer; Itv. Gander Area Community Futures Committee, Chairman). If regional production systems of inter-firm networks are to be generated to go beyond primary resource extraction and low-paying service jobs, however, development bodies must be able to develop strategies which operate on more spatially limited scales.

In Newfoundland, the territory covered by individual Development Associations is perhaps the closest any current institutional form comes to covering local labour market areas, a fact acknowledged by numerous municipal officials. While most are critical of the make-work niche the Associations have filled, in the absence of regional government bodies, they see room for co-operative development activities with the Development Associations - particularly as the Associations themselves realize the need to take on more long-term strategies (Itv., Town of Lewisporte, Mayor; Itv., Town of Pasadena, Mayor; MUN Extension, 1987:85; Itv., City of Corner Brook, Economic Development Officer; Itv., Town of Gander, Mayor).

Building on existing structures can also improve the chances of success in implementing new initiatives, as the GLC experience showed (Mackintosh and Wainwright, 1987). By incorporating the Development Associations as a form of development corporation jointly operated by municipalities - in a manner reminiscent of the British Enterprise Boards under the control of several District Councils - local government could potentially benefit from the involvement of

people normally alienated from formal government structures (if, for example, the voluntary community committees were maintained alongside the local state, perhaps as advisory boards). This would require innovative and creative coalition building, in addition to acceptance by the Associations that they must work on the regional level - implying urban/service centre links with outlying rural communities. As noted in Chapter 4, the Associations are seldom active in incorporated municipalities. In fact, they usually refer to themselves as 'Rural' Development Associations, although the provincial act defines them as regional (Chris Palmer, Personal Correspondence, 28 December 1988).

As has been seen for Northern Norway, where a strong local state has overshadowed any third-sector organisational forms, efforts to balance development activities and territory have involved intra-kommune decentralisation within large kommunes such as Tromso, but in most cases existing kommunes are co-operating on a regional basis which incorporates regional centres and surrounding communities into local labour market areas. The potential impact of strengthened regional bodies on the perceived role of the fylkes will be considered in Chapter 6. The Salangen Conservative Party leader, who is also on the Troms Fylke Council, argues that the fylke could be sub-divided into five regions based on drive-to-work areas, but echoing Floa, he noted that you can not 'force co-operation' between existing political units (Itv.).

Troms Fylke Mayor, Kirsten Myklevoll, noted that efforts to combine kommunes would only go so far where communities were greatly dispersed. She contended that 'at a point where the reality of being put together, they will fight against it', which she saw as 'a democratic attitude' - not as regressive parochialism. If local government becomes 'so big geographically...they will feel that the way to the administration and to the politicians is too long' (Itv.). For the local state, as with regional production systems, space matters.

5.5 Conclusion

Despite political immaturity, rooted in a colonial past, Newfoundland municipalities are increasingly assuming an economic development role. Because this is a relatively new phenomenon, and because of the Canadian federal structure, they enter a domain already inhabited by various third sector bodies and regional agencies appointed by the two higher levels of government. Norwegian kommunes, by contrast, enjoy a history of substantial political, financial, and administrative autonomy, which has made them the primary sub-national agency concerned with local development.

Organizational differences have not prevented local development bodies in both countries from pursuing similar development strategies, however. For the most part, these have consisted of local actors responding to national initiatives and programmes. Efforts to acquire national - and in Canada, provincial - public sector facilities and spending for local job creation and service provision are common to both countries. Analogous private sector 'acquisition strategies' have seen funding programmes from higher levels of government - along with whatever local incentives can be marshalled - used to lure outside capital into the locality. Public sector restraint and private sector restructuring have made these strategies more vulnerable than ever, but for areas with strong local leadership, combining administrative competence with political networking, winners can still emerge from these essentially zero-sum competitions for limited resources. Once public or private sector activities are established, moreover, earlier successes attract further inward investment, reinforcing the development prospects of some localities while simultaneously denying others of what scarce resouces are available.

For the losers in such zero-sum battles, peripheral adaptations can be glorified as normative models of rural and environmental superiority. The informal economy and seasonal employment doubtless contribute to a degree of economic well-being

in these areas, and to preferred lifestyles, but continued out-migration indicates that more formal economic activities are needed.

While the small-holders of Jutland and the Third Italy are seen to have provided the basis for an entrepreneurial predisposition in those regions, local agencies have become directly involved in economic activities in Newfoundland and Northern Norway - largely because of the absence of private capital and capitalists. Unlike the British Labour-controlled local authorities, these have seldom entailed progressive employment goals. In the two Newfoundland cases which did, the GNPDC and the Buchans Development Corporation, progressive policy was not advanced by commitment to unionization. What is progressive for peripheral communities - and their inhabitants - can not necessarily be equated with the traditional Fordist heartland.

More common, in all regions of industrialized countries in the 1980s and 1990s, has been the neo-conservative goal of enhancing the 'entrepreneurial culture'. Combined with reliance on small and medium-sized firms for new job creation, and marvelling at the potential of new information industries, this approach threatens to commit the majority of workers to low-wage, part-time employment in the service industry. If the potential of inter-linked SMEs in the formation of specialized regional production systems is recognized, however, this new emphasis could contribute to viable economic strategies for peripheral localities. Inter-firm networks require co-operation as well as competition, which local state bodies are best suited to facilitate - if structured appropriately and if these economic strategies are adopted. The experience of the local state and economic development in Newfoundland and Northern Norway reveals some room for optimism: an essential ingredient if the people of peripheral regions are to realize whatever opportunities, however limited, that may be arising in the face of global economic restructuring.

CHAPTER 6

Conclusion

The primary objective of the thesis was to determine under what conditions local decision-making bodies can facilitate economic development in peripheral regions. This required a theorization of what constitutes peripherality and underdevelopment and, its corollary, what we mean by economic development. Implicit in the research question is the assumption that human agency, as structured within organizational frameworks, can consciously intervene to promote development, albeit within pre-existing constraints. The forms of local organization thus required specification, as did the nature of economic strategies or initiatives undertaken by them.

The empirical research conducted to investigate these questions was both informed by these theorizations and an effort to test and develop them further. By conducting comparative cross-national case studies, a wider range of institutional forms and economic strategies could be evaluated, enhancing the effort to unearth the various causal forces at work where these phenomena occur. The choice of Newfoundland and Northern Norway for comparison, apart from personal and pragmatic considerations, was based on the research question's specification of peripheral regions within industrialised countries. In addition to their common position of relative economic disparity within their respective national contexts, these regions also shared traditional reliance on primary resource extraction, particularly the fishery, with subsequent demographic and labour market commonalities of dispersed populations, seasonal employment and occupational pluralism.

When viewed from the perspective of traditional theories of industrial location, such characteristics are as much a cause as a consequence of underdevelopment. The crucial significance of sectoral and organisational linkages for economic

development points to the advantages of spatial proximity of firms and urban concentrations of population for the agglomeration forces, labour supply and markets required for economic activities which transcend simple resource extraction and primary processing. Once such agglomerations developed, the process of peripherality became a vicious circle of migration of labour and capital to the industrialised core from peripheral regions. The same processes, as identified by staples and dependency theories, can be seen on the international level between developed and under-developed countries.

While the origins of their particular demographic and labour market complexions could be traced to their common reliance on the fishery, economic factors alone cannot explain the failure of these regions to capture linkages based on their natural resource endowments. For intra-national centre-periphery relations, at least, national political structures and power relations must be accounted for. In the case of Newfoundland prior to its membership in the Canadian Confederation, political independence did not suffice in generating linkages from the fishery or the other primary resources the country contained. For the most part, this can be traced to the colonial inheritance of Newfoundlanders. The political and economic elite, centred in St. John's, saw fish as currency for their main interest in retail and trade. Rural fishermen, with few exceptions, lacked any sense of political efficacy or local political structures to pressure for reform, and with their traditional economic adaptations of seasonal employment combined with the informal economy and self-provisioning, lacked the capital necessary to invest themselves.

As a Canadian province, infrastructural development and national transfer payments and social programmes enhanced Newfoundland's rural economy, while the centralisation and modernization policies of the federal and provincial governments simultaneously attempted to replicate the large-scale industrialisation experienced in urban agglomerations in North America and Western Europe. Even these conventional strategies suffered as Central Canada

asserted its political might on the national level to tailor policy to its needs and to divert funding increasingly to areas of relative prosperity. The vicious circle of in-migration has its political consequence in increasing votes in the centre. Provincial initiatives to capture fiscal and other linkages from energy resource projects were frustrated by the same forces. As the national state confronts fiscal crisis, even transfer payments and social programmes are being tightened, at a time when reduced fish stocks and industrial restructuring in all resource industries are reducing employment levels in the staple industries.

Northern Norway enjoyed a relatively egalitarian social structure rooted in its origins as a frontier for people from the south of the country and from Finland. The fishing-farming combination afforded a lifestyle which compared favourably to industrial employment elsewhere, and as land ownership became more widespread, rural voters in the north exercised a power with those in south which had a decisive impact on the evolution of Norwegian social democracy. This did not eliminate efforts by central government planners to implement centralization and modernisation strategies, but usually the political power of the North was sufficient to restructure policy in the interests of the existing dispersed population structure.

While territorial representation provided North Norwegians with political influence far out-weighing that of Newfoundland in the Canadian context, this was significantly qualified by the evolution of the segmented corporatist system of interest representation within the national government. National fisheries and agricultural organisations, as with those in other sectors, are dominated by powerful interests in the South, resulting in policies which undermine the viability of resource extraction in Northern Norway. Oil revenues and substantial social programmes have enabled northern populations to be maintained in relative comfort, but declining employment opportunities - exacerbated by its own fisheries crisis - have resulted in increased out-migration, particularly by young

people seeking careers more in line with expectations common throughout industrialised countries.

The failure of national and provincial policies to mitigate the development problems of peripheral regions - as much for political as strategic reasons - has resulted in increasing demands for local development initiatives. Some of these have been implemented by voluntary, third-sector organisations, some by local government bodies, while national and provincial governments themselves have responded to local pressures - without altering major national policies - by increasing the resources available to these organisations and to their own appointed local or regional development boards or committees.

A theory of the local state was posited to differentiate between these organisational forms, arguing that only locally elected government, with legislated authority and responsibilities, had the legitimacy to maintain a relative autonomy both from higher levels of government and from competing groups within the community. Only this local state could implement economic strategy which could claim to represent the local population, but which would also be binding on them. Because local government often has insufficient fiscal or administrative resources to conceive and implement such policies, however, coalitions between the local state, private-sector and third-sector bodies can enhance development efforts, while also extending community representation and participation beyond formal electoral procedures. The spatial extent of political and administrative boundaries was posited as a crucial variable in the formation of such coalitions, as uneven social and economic development meant that local social formations had more in common than higher levels.

In Newfoundland, few such coalitions have developed despite the relative weakness of local government. This is primarily because local government has seldom had an economic development role, while third-sector Regional Development Associations have been funded by the federal and provincial governments to provide rural

communities with a form of local economic decision-making. The lack of authority and legitimacy of these voluntary bodies has inhibited their ability to represent the community and attract effective leadership. In light of the traditional paternalism of Newfoundland politics, the Development Associations have provided a pliant agency for the implementation of make-work programmes by the federal and provincial governments. Enhancing levels of participation and the fiscal independence in local government has been a goal of the provincial government, but not with an accompanying increase in authority or responsibilities.

Federally-appointed Community Futures Committees are, in a sense, a form of top-down regional coalition, but as has been seen, these quangos usually cover such large areas that individual members feel few shared interests in specific development projects. The Great Northern Peninsula Development Corporation began as a provincially - and subsequently, federally - supported coalition of Development Associations in one of the most economically depressed regions of the province, but again, its large territory has inhibited co-operation between its member Associations. Its alienation from the local state on the Northern Peninsula has also removed a potential source of legitimacy in claiming to represent the population in dealing with higher levels of government, and political authority in implementing policies on behalf of the local population.

The Buchans Development Corporation was the sole example amongst the Newfoundland cases studied which exhibited the potential of local coalitions within a local labour market area. With the legitimacy and authority of the Buchans Town Council, the participation of the miners' union and the Development Association, and the financial resources provided by the Community Futures Committee - established for such a small area primarily because of the Town mayor's political contacts - the Corporation maintains a level of autonomy which is the envy of most local bodies. Because the links between the Corporation and its component organisations were not formalized, changing leadership has weakened

the coalition - diminishing its regional role - and without participation by the Town Council, the Corporation no longer has the authority or legitimacy to speak for the community as a whole.

In Northern Norway, local government has long had an economic development role, primarily in funding investment in fishing trawlers. With few legislative limitations on their activities, kommunes have been free to move into whatever areas they saw as necessary or desirable. Despite this freedom, and substantial taxation powers, the actual autonomy of kommunes is limited by the wide-ranging responsibilities which have been devolved to them by the national government. While this has made local government the largest employer in most peripheral areas, giving it a substantial administrative wherewithal, it limits their capacity to direct resources into new areas of spending. Recent reforms in the financing of local government with the introduction of bloc grants, and the ongoing Free Kommune Experiment, are efforts to address these limitations on the autonomy of kommune decision-making.

The Free Kommune Experiment, as seen in the case of Vega, has also provided an opportunity to formalize coalitions of kommune politicians and administrators with national sectoral employees such as fisheries and agricultural advisers. While this has gone some way towards integrating varying sectoral policies within the territorial requirements of the kommune, and enhanced the administrative and technical strength of the kommune substantially, it can not overcome the control by national sectoral organisations in formulating the policies and laws which constrain local coalitions. It is tempting to suggest that the willingness of the national government in Oslo to strengthen kommunes in the way it has is because real power is still maintained by centrally-dominated sectoral organisations. Increased kommune autonomy, moreover, is accompanied by greater responsibility, diminishing the ability of the local state to turn to the national level for assistance - particularly financial - when its own initiatives fail.

These national political and economic forces, however, operate within a global context which, while presenting industrialized countries with new problems, may be creating new opportunities for peripheral regions. The equation: industrialisation equals urbanization, was significantly qualified in the 1960s and 1970s as multinational corporations created a new spatial division of labour, locating factories in peripheral regions and countries to gain access to low-wage labour. While these industrial enclaves seldom generated linkages with the local economy, they did highlight the need to incorporate the strategies of capital as well as location factors when considering industrial location.

The opportunity for peripheral regions to generate articulated industrial systems is now being posited as a result of the transition from a Fordist to a neo- or post-Fordist era. While manifested in varying and contradictory forms, one emergent characteristic of this transition is the formation of flexible production systems of interdependent small and medium-sized firms in areas without prior large-scale economic activities. Adapting new flexible production technologies to small batch production in catering to niche markets, these firms benefit from a progressive externalisation of production with increasing sub-contracting arrangements. Specialisation enhances flexibility in responding to changing market conditions and provides economies of scale in the component produced or service provided.

For peripheral regions, improved transportation and communications technologies and infrastructure may enable sufficient numbers of SMEs to link together in such production systems. Based on the paradigmatic case of the Third Italy, but also drawing on similar evidence from Denmark and Western Norway, interdependent networks of SMEs can be seen to have emerged in a manner largely consistent with the flexible specialisation thesis. The organisational flexibility of sub-contracting is supplemented by joint research and development, technical support, finance, and marketing arrangements between SME's, which convey some of the benefits conventionally enjoyed only by large firms. For the necessary balance of co-operation and competition to be attained, however, trust must be established

between the member firms. Peripheral regions, particularly on the level of the locality, are often characterised by a shared sense of community and social norms - the organic solidarity Durkheim argued was eroded by urbanisation - which could contribute to the necessary trust.

Because Fordist labour relations, rooted in adversarial union-management collective bargaining, were largely absent in peripheral regions, moreover, workers were more likely to accept flexible employment conditions within the workplace. While the exaggerated claims of progressive employment conditions by advocates of flexible specialisation are not supported by the international evidence, workers in peripheral regions are accustomed to seasonal employment and combining various sources of formal and informal economic activity. While wage levels and working conditions are largely contingent on national legislative and regulatory standards, workers in peripheral regions have additional labour market cushions which make the relative instability of shifting sub-contracting arrangements less onerous than for urban employees dependent on a single wage.

Despite favourable pre-conditions, the generation of such flexible production systems within peripheral regions is unlikely to emerge spontaneously. In the Third Italy, the local state played a key role by working with artisan organisations in the establishment of shared work spaces and joint service facilities, facilitating the synergies which emerge through close proximity and leading to product and process innovation - the generation of linkages. Despite its relative weakness in terms of fiscal autonomy and legislative authority, strong regional identities and the traditional legitimacy of the Italian local state contributed the necessary sense of mutual interest and trust between public and private actors and organisations.

Does the Newfoundland and North Norwegian experience support these optimistic claims for the potential of economic development in peripheral regions? Perhaps not surprisingly, case studies of real-world contexts reveal complex combinations

of characteristics and forces which both support and contradict the possibility of flexible production spaces facilitated by the local state. In both Newfoundland and Norway, perhaps the best examples of flexible specialisation were in fact the result of traditional regional development initiatives, albeit with significant involvement by the local state.

Steelcor in Buchans conforms most closely with the technological aspects of the flexible specialisation thesis, with a major corporation subcontracting production of precision components to a small firm in a peripheral region using CNC machining equipment. The Buchans Development Corporation played a key role in attracting Steelcor to its machine shop, which the Development Corporation continues to own, but a prime attraction for General Electric in contracting Steelcor was a conventional national procurement programme encouraging production in peripheral regions. The fact that the Buchans Development Corporation maintains stipulations on Steelcor concerning wage rates is an indication of how local bodies can enforce progressive employment policy - significantly without requiring unionisation. In the context of peripheral regions, as confirmed by the firm's employees, wages can be significantly lower than in urban centres and still afford an equivalent or superior standard of living.

With the machining equipment now in place, the Buchans Development Corporation is looking to ways to develop linkages between it and other potential or existing industries. Inter-firm linkages in Salangen have emerged through a similar process. The local state played the lead role in attracting Dynoplast in a conventional 'acquisition' initiative, using national regional development funds. Significantly, it was based on the production of a manufactured product to meet a local market niche in a resource industry. The production of plastic tubs for the North Norwegian fishery has since led to product development and exports throughout Norway and internationally. Despite its remote location, substantial research and development activities have taken place within the Salangen factory, incorporating interaction with local users and problem-solving by employees.

Inter-firm networks have emerged largely of their own accord, however, as Dynoplast contracted a local electrical company for necessary services, an employee set up his own firm as a spin-off to import inputs required (as well as developing other local markets), and a local machine shop - through a personal contact - went into production of the steel moulds used in the production process, which it now develops and exports to Dynoplast's other factories and to other plastic product manufacturers throughout the country. Dynoplast, though, still exercises the power of a dominant firm in Salangen, as it continues to exact concessions from the kommune and fylke governments by threatening to pull out - a stark example of the vulnerability of depending on large, externally-controlled firms. Because of the kommune's efforts, nevertheless, drawing on all the political contacts of its leaders to create public and private sector jobs, Salangen enjoys one of the most stable local economies in Northern Norway.

Furuflaten, in Lyngen, enjoys similar economic success, but more despite the kommune than because of it. Building on an initial resource endowment - sandy beaches suitable for making concrete blocks - a series of locally-owned and controlled manufacturing firms have been established in the contracting and plastics industries. While having some linkages in end-users of their products, primarily the building industry, and some joint ownership, there have been practically no production linkages leading to product or process innovation or new firm creation. To safeguard their survival, firms have tended to specialise away from each other, so that if one encountered problems, the others would not be affected.

Regional development funds administered by the fylke have been crucial to their success, but unlike Salangen, firms in Furuflaten have dealt directly with fylke officials rather than relying on the kommune mayor. Significantly, now that the owner of Lyngenplast - located outside Furuflaten - is on the kommune council, the kommune is establishing training programmes in plastics and investigating

other joint services to enhance sectoral specialisation. Because of Furuflaten's alienation from kommune political and financial resources, it failed to develop the inter-firm linkages which may have strengthened its manufacturing activities further. The plastic pipe manufacturing company has now been bought out by a Finnish multinational to cater to markets in northern Scandinavia, and despite the intentions of the Furuflaten native who remains second-in-command for the firm in Norway, it is difficult to see how linkages will not be lost as a result.

The Town of Pasadena has come closest to the provision of joint-service facilities as seen in the Third Italy. Its incubator mall was established with a short-term conception of inter-firm co-operation, providing subsidised warehouse and office space, along with shared secretarial support and facilities, only until the firms were 'on their feet' and able to go it alone in true laissez-faire fashion. The realities of starting up SMEs in a peripheral community forced the municipality to ease its demands for businesses to move out of the facility after their 'incubation' period had expired. As a result, the personal and productive synergies which occur through close proximity began to emerge, despite the absence of conscious efforts to facilitate them. Two of the firms which collaborated were locally-owned and had been encouraged to establish to meet local market niches in the food processing industry - using inputs from local farmers and fishermen. A third, which met with much more acclaim, was an external plastic film and bag manufacturer who tailored packaging for the food processors, but who has since closed down because of labour and production problems - once again demonstrating the vulnerability of relying on outside capital.

Examples of inter-firm networks, flexible production technologies, product and process innovation, local and international niche marketing, and joint-service facilities provided by the local state, can all be seen in the peripheral regions studied - if you are looking for them. It can not be denied that the majority of initiatives carried out by the local state, and other local development bodies, continue traditional efforts to attract mobile capital with incentives and

facilities, combined with efforts to increase public sector employment - both for jobs and improved services. Direct involvement in productive activities can also be seen where no other options are available, but seldom with any progressive employment or other ideological goals. Significantly, it was the two Newfoundland development corporations which attached such stipulations, perhaps indicating that more comprehensive economic strategy is possible by designated development bodies, rather than by local politicians responding to short-term opportunities and electoral timetables.

The fact that the characteristics identified as typical of some forms of post-Fordist regional production systems are appearing in these peripheral contexts, despite the absence of explicit strategies, is significant. There are market and technological pressures and opportunities emerging which are, of their own accord, resulting in sub-contracting arrangements and niche marketing. For these to occur there must be some pre-existing productive activities, and it is those peripheral communities which have been able to use traditional development strategies with some success that have manufacturing firms in operation: because of its former mine, Buchans had a core of skilled machinists and a machine shop; Pasadena had its incubator mall; Salangen had Dynoplast.

As has been seen, the authority, legitimacy, administrative and political resources of the local state, whether alone or in coalitions with other organisational forms, has been crucial in the success of these traditional development efforts, and has enhanced the emergence of inter-firm networks in many cases. The role of individual leaders can not be ignored in these processes, particularly local government mayors. Their position provides the range of strengths and resources of the local state, but their individual attributes and vision provide the motive force. Human agency is the 'stuff' of causation - individually and collectively. Social structures 'structure' events; people 'cause' them. Tonder in Salangen, Floa in Vega, Power in Buchans, Pardy in Pasadena, all generated developments which would not have taken place without them.

This clearly has not resulted in booming economies for each locality. Human agency is constrained by pre-existing conditions and structures. The fact that these individuals were mayors is nevertheless indicative of the significance of the local state as a social structure or institution. On the Great Northern Peninsula, Dave Simms suggested, promoted and executed the formation of the GNPDC. More than any other community studied, with the possible exception of Vega, no other body had such a well-articulated, integrated development strategy, which provided for joint service facilities and inter-firm networks. But despite financial and administrative resources which tower over any Newfoundland municipality, the GNPDC has failed to fulfil most of its development plans and is in danger of collapsing.

Numerous contingent variables, as has been seen, must be accounted for, but it is clear that the GNPDC as a third-sector body lacked the authority to implement its far-reaching strategies without co-operation from labour and capital in the region, and it lacked the legitimacy to claim to represent the community as a whole. This was partly a function of the vast area covered by the Development Corporation, and partly a result of the fishery crisis which hampered the success of the Brig Bay initiative. But the role of Dave Simms can not be ignored. By attempting to maintain control of the Brig Bay board, in a manner reminiscent of the GLC interventions, Simms undermined the trust between the private partners which inter-firm co-operation depends on. As an unelected, well-educated, well-meaning intervener in local affairs who came from outside the community - the model animateur - Simms lacked the personal and institutional resources necessary to implement a development strategy dependent on social consensus and shared values. If the same person worked from within the local state, they could at least claim the legitimacy to speak for the community that comes through election by universal franchise.

The fact that the Brig Bay initiative entailed union-management conflict introduced an additional social relation rooted in mistrust. Unionisation of the fishery has not been an example of a tradition of co-operative labour relations. Insufficient evidence has been collected from the case studies conducted to draw conclusions on the significance of unionisation in general in such contexts. This was primarily because no unions were found to be active in the formulation or implementation of local development strategies, which in itself is probably significant. The high unionisation rate in Northern Norway suggests that the absence of Fordist labour market rigidities does not necessarily mean the absence of unions. In the Newfoundland context, nonetheless, the GNPDC's wood-chip generating initiative did not run into the same problems as Brig Bay, largely because unionisation was not a factor. Similarly, the Buchans Development Corporation succeeded in exacting progressive employment conditions on lessees of its facilities, without requiring unionisation. This is one area which deserves further research for a more complete understanding of the role of the local state in economic development in peripheral regions.

The significance of traditions of occupational pluralism and the continued contribution of the informal economy and self-provisioning, can not be ignored in determining what constitutes 'progressive employment' in peripheral regions. A final qualification in this regard is the need for further research on the role of women in peripheral economies and flexible production systems. Several commentators have suggested that the contributions of the informal economy are gained primarily through the efforts of women, particularly where formal and informal activities are combined (Porter, 1987; Pahl, 1984). Similarly, the flexibility of specialised inter-firm networks in peripheral regions often seem to be won at the expense of women workers (Cooke, 1985; Hadjimichalis and Vaiou, 1990; Hacker, 1988). Most local state officials in the cases studied are aware that employment suitable for women is crucial to reducing the rate of out-migration, particularly young, educated women. These make up the largest component of out-

migration in such regions, and 'a local labour market based on low-skilled part-time work' is no longer acceptable (Monnesland, 1989:88).

The survival of the informal economy itself depends on cash inputs, moreover, so the creation of economically viable employment is crucial for all members of the community. Emphasis on post-industrial service and information industries ignores the propulsive role of manufactured tradables. New information and communication technologies are crucial to reducing 'the difference that space makes', but they can not replace the need for strategies to generate linkages from primary to secondary, and on to tertiary productive activities. The potential of development corporations, linked to the local state (in a manner similar to English enterprise boards adopted by District Councils after the abolition of the Metropolitan County Councils), to combine political legitimacy and authority, with long-term development strategy, is one institutional prescription that arises from these findings. Such bodies also offer the possibility for existing political units to co-operate where they have common development interests, such as a shared local labour market area.

The significance of the locality has been inferred from the various institutional combinations and permutations revealed by the case studies. Where units are too large - Tromso Kommune, the GNPDC area, all but the Buchans Community Futures area (not to mention provinces and fylkes) - decentralisation of economic decision-making is required. Where individual units are small enough or have over-lapping borders which place them in common local labour market areas, they are forming co-operative economic development initiatives, and even joint councils and administrations. The technology and infrastructure of communications and transportation are crucial to these considerations, making the locality a nebulous and ever-changing social formation. Institutional arrangements thus need to be suitably flexible, without compromising the democratic polity and sense of local identity.

The spatial extent of flexible production systems has not been adequately delineated by the research. Which forms of sub-contracting need to be within the same local labour market area for productive efficiency requires further research of the linkages between firms. Some sectors, such as aquaculture, must be spread along the coast where sheltered bays are located. Just-in-time delivery systems require spatial proximity, but how close does this imply? Monnesland suggests that many production functions require easy access to each other, without daily contact, such as a two hour travel time (1989:98). Such considerations are crucial to an understanding of what degree of community or population dispersion is suitable for which forms of regional production system. As varying firm strategies and sectoral conditions will have direct influence on these factors, this can be taken as further need for the generation of local strategies.

These conclusions, finally, do not diminish the significance of economic development functions by higher levels of government, but they do qualify them. Local bodies can not take over macro-economic policy, enforce national standards of service provision, or provide co-ordination of widely-dispersed local initiatives. As local bodies increase co-operative development efforts, nonetheless, intermediate levels of government may be made redundant. While the fylkes have facilitated the formation of sub-regional co-operative structures in Northern Norway, as these evolve there are increasing calls for these bodies to take over the functions of the fylkes - a possibility acknowledged by most fylke officials interviewed. There is currently a Norwegian Royal Commission on Kommune and Fylke Boundaries examining the range of factors - social, economic, democratic, geographic - which must be accounted for in restructuring local government. It will report to the Storting by the end of 1991, but it is strictly an exploratory exercise which will not likely see changes until the turn of the century (Itv., Hansen).

Simultaneously, however, there are calls in Northern Norway for the three fylkes there to unite with their own legislative assembly in a quasi-federal structure.

Most see the strong Canadian provinces as having more powers than Northern Norway needs - the Scandinavian welfare state is not something to turn your back on. But in areas which are of common concern to Northern Norway, such as the fishery, some means is seen as necessary to wrest territorial control back from the sectoral organisations. The three fylkes, along with the northern section of Nord Trondelog which also depends heavily on the fishery, have already established a joint council on fisheries matters, with a joint-funded secretariat - the Landsdelsutvelget.

Ironically, with all its powers, Newfoundland still does not control its fishery. Newfoundland's representative in the federal cabinet was recently made Fisheries Minister, with the promise of a joint management board. With the debate on Canadian unity ongoing, the four Atlantic provinces have now entered discussions on political union (Morris, 1990). Ministers responsible for rural and regional development, and municipal affairs, for Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland, have also held their first joint meetings in 1991. The municipal affairs meeting even called on provincial governments to 'work with urban and rural municipalities to help them focus their efforts and attention on community development to help them meet the economic challenges of the nineties' (NIS, Development, 25 January 1991; NIS, Municipal and Provincial Affairs, 9 August 1991).

The MacDonald Royal Commission, which inspired Canada's free trade initiative with the United States, also called for greater involvement by municipal government in economic development (1985:216), but the national government has been less than eager to enter this area of provincial jurisdiction directly. Norwegian commentators have noted that the renewed possibility of EC membership has strengthened efforts to enhance the role of local government - transfers to territorial units are less likely to be called subsidies than sectoral funding, and the EC insists on local government involvement in much of its own structural fund programmes (Itv., Nordland Fylke, Acting Chief of Economic

Development ; Itv., Baldersheim). The local state, at least in Europe, potentially has more to gain in relations with supra-national bodies than with national political structures. In Canada, however, federal-provincial relations intervene in any effort to increase the power of the local state, and closer relations with the United States is only likely to enhance commitment to laissez-faire: there is no Canada-US social charter.

Focusing solely on the national and international political and economic obstacles to local development initiatives, however, is a recipe for inaction and self-fulfilling economic decline. The need for strategy is greatest where constraints on action are most severe. Analysis of the political and economic forces which transcend contextual contingencies indicates that global economic transformation is opening niches which peripheral regions have pre-existing advantages in exploiting. If they are to avoid yet another form of their own exploitation, however, local control - economic and political - must be wrested from external actors. The 'enduring mechanisms' of the local state as a social structure exercising relative autonomy, primarily through the legitimacy gained through democratic accountability, must be incorporated if local development strategies of any kind are to increase their chances for success.

Raising the stakes of local politics also offers the possibility to increase demands on the state at all levels. Public alienation from democratic structures may be bridged by recognizing the interpenetration of economic policy and political activity (Mackintosh and Wainwright, 1987). Increased local involvement and a sense of political efficacy, may also increase demands on higher levels of the state (Murray, 1985). But if the necessary role of the local state in facilitating the formation of regional production systems in peripheral regions is acknowledged, viewing local initiatives as lessons for national policy - as many of the British left do (ibid.:3; GLC, 1985:61; Duncan and Goodwin, 1988:274) - will only perpetuate local political and economic underdevelopment. For peripheral regions, at least, it is a matter of survival.

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APPENDIX 1

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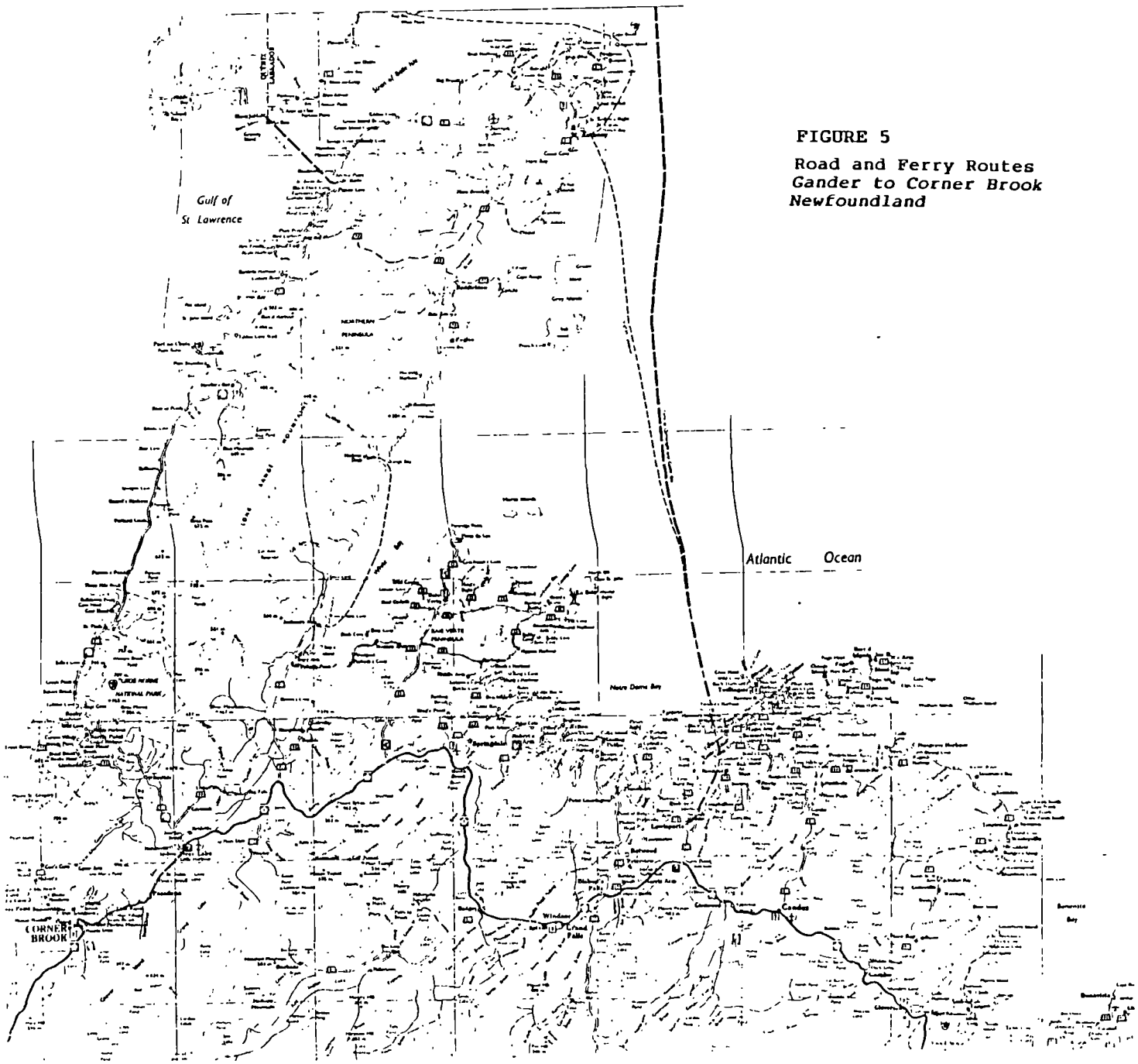


FIGURE 5

Road and Ferry Routes
Gander to Corner Brook
Newfoundland

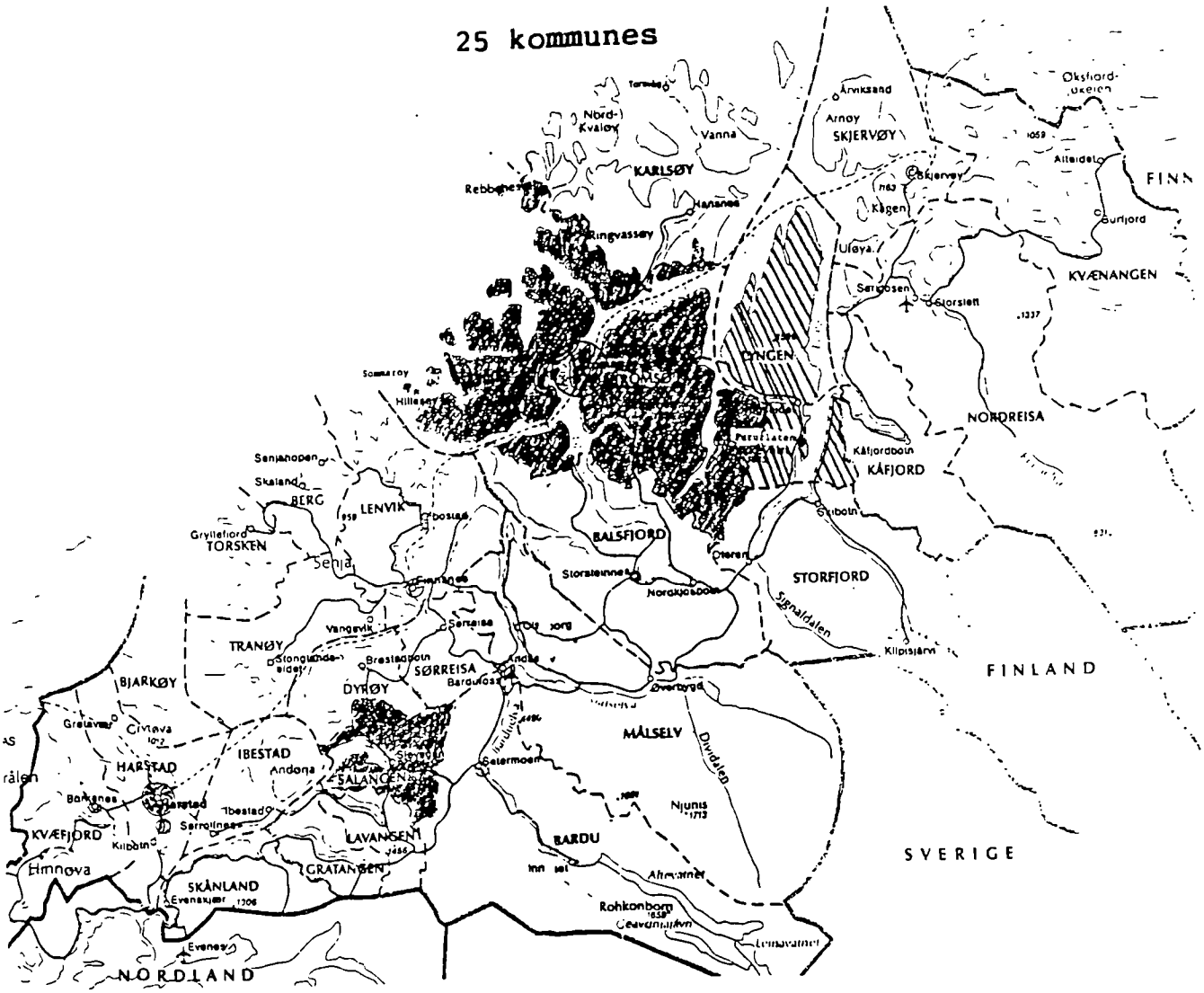
FIGURE 6

TROMS FYLKE

25,954 sq km

146,648 people (1989)

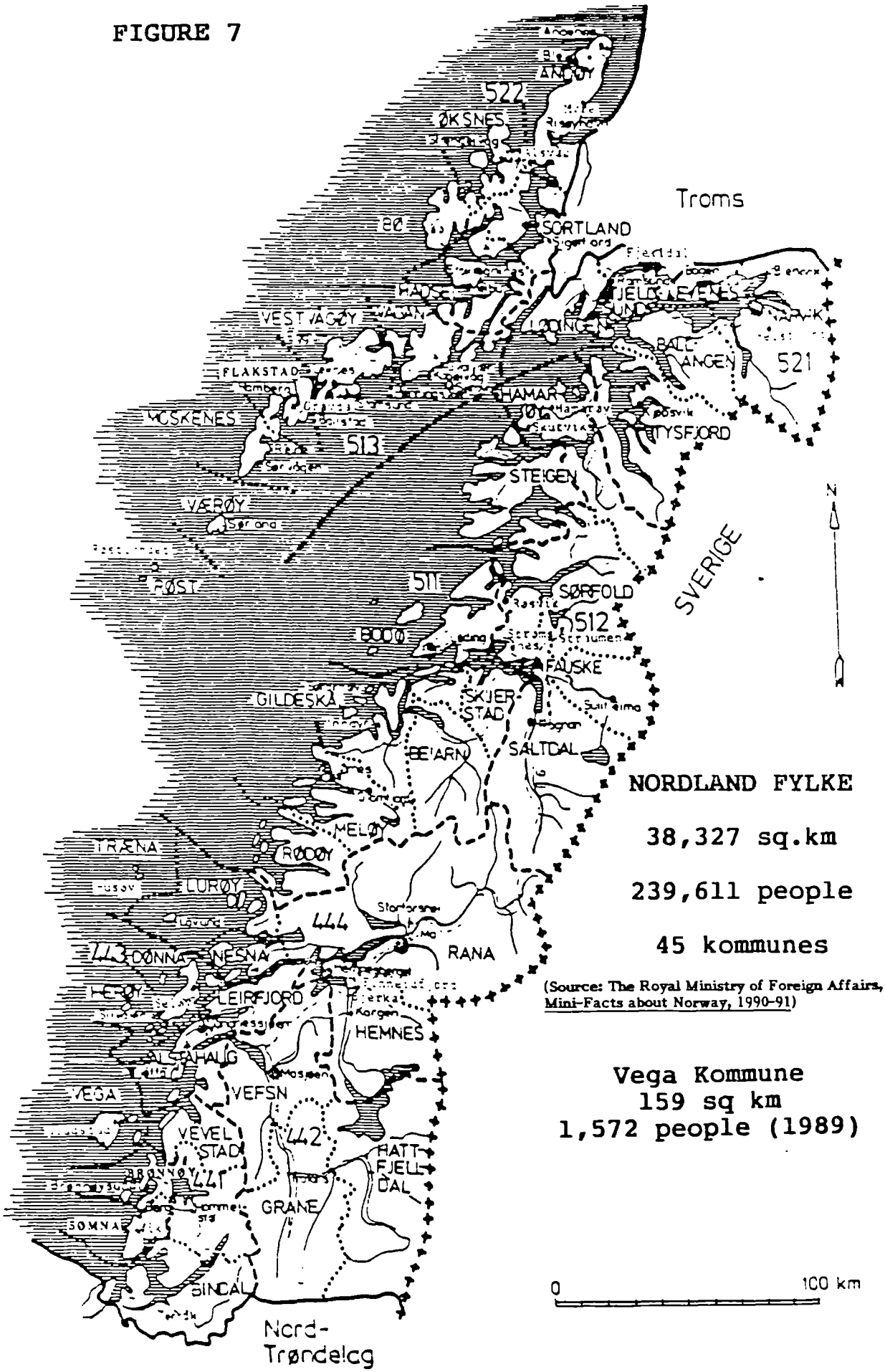
25 kommunes



Salangen Kommune	Tromso Kommune	Lyngen Kommune
457 sq.km	2,558 sq.km	895 sq.km
2,502 people (1989)	50,288 people (1989)	3,573 people (1989)

(Source: The Royal Ministry of Foreign Affairs, Mini-Facts about Norway, 1990-91; Norwegian Mapping Authority, NOS Population Statistics)

FIGURE 7



NORDLAND FYLKE

38,327 sq.km

239,611 people

45 kommunes

(Source: The Royal Ministry of Foreign Affairs, Mini-Facts about Norway, 1990-91)

Vega Kommune
159 sq km
1,572 people (1989)

FIGURE 8 Tromsø and surroundings

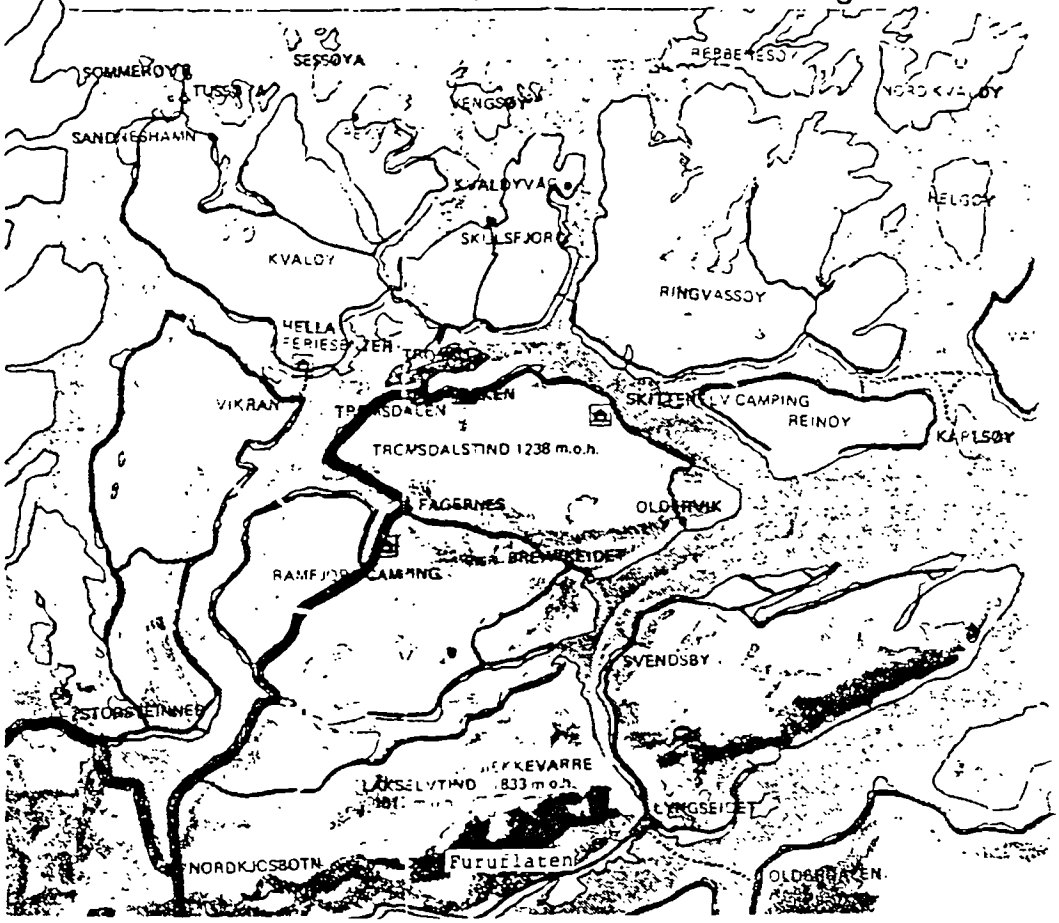


FIGURE 9 Vega Kommune, Ferry Links to Bronnoysund